New INDIVIDUALIST Review

HERBERT CLARK HOOVER: A RECONSIDERATION

MURRAY N. ROTHBARD

TWELVE THOUGHTS ON INFLATION

W. H. HUTT

CLASSICAL LIBERALISM AND RELIGION

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A JOURNAL OF CLASSICAL LIBERAL THOUGHT

Winter 1966 | 75 cents | Vol. 4, No. 2

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Due to unavoidable technical difficulties, we have been forced to omit the Autumn 1965 issue of *New Individualist Review*. The present Winter 1966 issue follows the Summer 1965 issue as Volume IV, Number 2. Subscriptions will not be affected by this omission; each subscriber will receive four issues for a one-year subscription.

NEW INDIVIDUALIST REVIEW is published quarterly by *New Individualist Review, Inc.*, at Ida Noyes Hall, University of Chicago, Chicago, Illinois 60637. Telephone 312/363-8778.

Opinions expressed in signed articles do not necessarily represent the views of the editors. Editorial, advertising, and subscription correspondence and manuscripts should be sent to NEW INDIVIDUALIST REVIEW, Ida Noyes Hall, University of Chicago, Chicago, Illinois 60637. All manuscripts become the property of NEW INDIVDUALIST REVIEW.

Subscription rates: $3.00 per year (students $1.50). Two years at $5.75 (students $2.75).

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NEW
INDIVIDUALIST
REVIEW

A JOURNAL OF
CLASSICAL LIBERAL THOUGHT

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Complaints of the loss of individuality and the lessening of respect for the person and his rights have become a commonplace of our time; they nonetheless point to a cause for genuine concern. NEW INDIVIDUALIST REVIEW, an independent journal associated with no organization or political party, believes that in the realm of politics and economics the system most effectively guaranteeing proper respect for individuality is that which, historically, has gone by the name of classical liberalism; the elements of this system are private property, civil liberties, the rule of law, and, in general, the strictest limits placed on the power of government. It is the purpose of the Review to stimulate and encourage explorations of important problems from a viewpoint characterized by thoughtful concern with individual liberty.

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Herbert Clark Hoover: A Reconsideration

MURRAY N. ROTHBARD

THE AMERICAN PEOPLE have been subjected to a battery of political and historical myths; of these one of the most virulent has been the Hoover Myth. During the Great Depression, the Democrats held Herbert Hoover aloft as the wretched symbol of poverty and iniquity; but with the passing of the Depression, new times and new issues evaporated the old Democratic antagonism. The field was thereby cleared for the Hoover hagiographers, who have rushed in, unopposed (to paraphrase Mencken's immortal comment on the Woodrow Wilson idolators), to nominate Herbert Clark Hoover for the first vacancy in the Trinity. We have been regaled ad infinitum with the wisdom, the individualism, the sagacity, the lovability, and the glory of Herbert Hoover; and we have countless times been instructed on the horrors of the smear campaign waged against him by Charlie Michelson and the Democratic National Committee during his Administration. Throughout the Right-wing, numberless pilgrimages were made to Hoover's suite in the Waldorf Towers, and countless Right-wingers have been honored to refer to him as "The Chief." It is high time to redress the balance.

The hand-wringing over the Michelson smear campaign may be disposed of at the start. Any public official, any politician, must expect to be subject to vigorous attacks, some justified, some not. Every president since Washington has been subjected to such attacks, and thus the public has been kept alert and vigilant to possible error and wrongdoing. Why should Hoover enjoy a special exemption from criticism? It is curious to see the same people who distributed with zeal and relish *A Texan Looks at Lyndon* bewail the tragedy of Hoover's ordeal. Despite the repeated harangues of his idolators that Hoover was not a "politician" and should therefore not have been treated as such, Hoover *was* a politician and cannot be allowed to escape the responsibility for his chosen profession.

THE MYSTERY OF Herbert Hoover begins, not in 1928 or 1932, but in 1919, when he was boomed for the *Democratic* nomination for the Presidency by such left-wing Democrats as Louis Brandeis, Herbert Croly, Ray Stannard Baker, Colonel Edward Mandell House, and Franklin D. Roosevelt. Yet, less than two years later, the Left-wing of the Republican Party was able to force Hoover on a reluctant Harding as a Secretary of Commerce whose powers had been vastly enlarged. What manner of man was this to be so beloved by *both* parties? It might be said that Hoover's greatness or goodness was so evident as to lead to his

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being courted by both parties; but to the wiser and more skeptical this story is suspiciously familiar. If a hard-core member of the Establishment may be defined as someone who somehow manages to land in a high government post whichever party is in power, Herbert Hoover may be considered to be the first *ur*-Establishment man of modern American politics.

It must be noted at the outset that any definitive study of Hoover at this point in time is almost impossible, but the blame for this situation must lie largely with Hoover himself. Hoover never released his papers for study by the scholarly public; hence the only information about his career has come from Hoover's own *Memoirs*—almost unbearably self-righteous and free from acknowledgment of error, *even* for political memoirs — and from Hoover's friends and supporters. As a result, critics have been discouraged from writing about Hoover, and we are left with a flood of worshippers, none of whom acknowledges a single error or flaw in their hero. Franklin D. Roosevelt, at least, had his John T. Flynn; where is Hoover's?

One significant example will give much of the flavor of the Hoover reminiscences. Hoover's recent book on Woodrow Wilson in the war and post-war years of World War I is almost as worshipful of Wilson as recent biographies have been of Hoover; or, rather, the book is a series of paeans to Wilson by Hoover, interspersed with paeans to Hoover by Wilson. Virtually the only act of Wilson's disapproved by Hoover was his famous call for a Democratic Congress in 1918, a call that angered the American public in its repudiation of the Wilsonian Republicans (such as Hoover) who had joined ardently in the war policy. Naturally, Hoover was shocked at this brusque slap at Republicans who had subordinated themselves to Mr. Wilson's war. How did Hoover react? In his book, he registers his sharp disapproval of the Wilson appeal; and yet, at the time, Hoover not only did *not* attack the Wilson plea; instead, he publicly rallied to the President's support, understandably angering Republicans in the process. Hoover states:

> Deeply as I believed that this appeal was a mistake and a wholly unwarranted reflection on many good men, . . . I addressed a letter to . . . a Republican friend, in which I supported the President's appeal for a Congress favorable to him. I did so because I believed that the President's hand in the Treaty negotiations would be greatly weakened if the election went against him. The publication of this letter created a storm around my head. The Chairman of the Republican National Committee denounced me violently.[1]

There is no hint of apology, no hint of remorse for Hoover's act; instead, there is, characteristicaly, only the proud reference to Woodrow Wilson's praise of Hoover's deed:

> My dear Hoover:
>
> Your letter . . . has touched me very deeply, and I want you to know not only how proud I am to have your endorsement and your backing given in such generous fashion, but also what serious importance I attach to it, for I have learned to value your judgment and have the greatest trust in all your moral reactions. . . .[2]

And that is *all* of Hoover's reference to the matter; for Herbert Clark Hoover, at least, wrapped securely in the mantle of morality and the enthusiasm of Woodrow Wilson, the case is closed.

THE HERBERT HOOVER story begins in 1899, when Hoover, a very young mining engineer and manager, was sent to China by his employers, the London mine consulting firm of Bewick, Moreing and Co. It is fitting that Herbert Hoover launched his career in enterprise, not on the free market, but in the midst of a mercantilistic struggle among claimants for mixed governmental and private property. Moreing had joined forces with a wily operator and recipient of special privilege in China, one Chang Yen Mao, who conveniently held the simultaneous posts of head of the Chinese Bureau of Mines in two provinces, *and* head of the "private" Chinese Engineering and Min-

[1] H. Hoover, *The Ordeal of Woodrow Wilson* (New York: McGraw-Hill, 1958), p. 17.
[2] *Ibid.*

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ing Company. Hoover became Yang's deputy in managing the mines in *both* of Yang's capacities, public and private. Herbert Hoover emerged from years of competition among numerous foreign powers for the Chinese prize with the first leg up on his mining fortune.

The next years of Hoover's life, during which he built a multi-million dollar mining fortune, have not been generally detailed, and they are badly in need of scholarly work. Suffice it to say that Hoover's high qualities as a mining manager were undoubtedly primarily responsible for the amassing of the fortune, and enabled him to strike out on his own as an international mining consultant in 1908.

HOOVER SOON BEGAN TO display the ignorance of economics and predilection for statism that was to mark his public career. In 1904, at the age of thirty, he informed the Transvaal Chamber of Commerce that he had achieved lower mining costs in Australia *because* labor had been paid higher wages; thus, Hoover had already adopted the egregious fallacy that wage rates are determined by the good or ill will of the employer rather than by the competitive market, *and* that high wage rates lead to greater efficiency and lower costs rather than the other way round. Four years later, Hoover reiterated these views, and, in his *Principles of Mining*, went further to embrace the institution of labor unions. Unions, he declaimed, "are normal and proper antidotes for unlimited capitalistic organization. . . . The time when the employer could ride roughshod over his labor is disappearing with the doctrine of *'laissez faire'* on which it is founded. The sooner the fact is recognized, the better for the employer."[3] He went on to challenge, in a neo-Marxist manner, the orthodox laissez faire view that labor is a "commodity" and that wages are to be governed by laws of supply and demand. It is not surprising that, in 1912, Herbert Hoover enthusiastically supported and voted for Theodore Roosevelt's Progressive Party, for Hoover had become the very model of an "enlightened" left-wing Republican, a man of the Establishment. Superficially, his views might be called "socialistic"; but it would be more precise to term them "mercantilist" or "state capitalist" or "monopoly capitalist," for Hoover, like his fellow Establishment liberals then and since, was not about to abandon state power to a dictatorship of the proletariat or even to Fabian social workers.[4] In the house of statism there are many mansions.

By 1914, Herbert Hoover, having made a substantial fortune in mining, was eager to try his hand at "public service." The First World War brought him his chance, and it was Hoover's luck that the opportunities that came his way were such as to lend him that mantle of saintliness and advanced morality which he was always able to wrap around his political activities more snugly than most of his fellows.

When Belgium was occupied in the fall of 1914, a group of American businessmen resident in London and Brussels formed a Commission for the Relief of Belgium, and Hoover agreed to serve as its head. The massive relief effort to Belgium, continuing throughout the war, gained Hoover immense publicity, and "The Chief" and "The Great Engineer" had now become "The Great Humanitarian." Actually, while it was no doubt admirable that Hoover and the group of wealthy American businessmen serving as his top aides accepted no compensation for their efforts, the operation was in no sense true charity. Neither was it really humanitarian and apolitical, as Hoover and its eulogists maintained.

In the first place, to be truly charity, aid must be voluntary and not compulsory; and yet the overwhelming bulk of contributions to Belgian relief came not

[3] *Principles of Mining* (New York: McGraw-Hill, 1909), pp. 167-68.

[4] This, of course, has nothing to do with the attempt of such "libertarian Trotskyites" as Tony Cliff and Raya Dunayevskaya to dub the Soviet Union "state capitalist," which is true only in the jejune sense that under socialism the state is the owner of the country's capital. On the contrary, the term is most aptly used to describe the mercantilist, interventionist policies of modern capitalist countries, and to distinguish them from socialism.

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from private citizens but from Western governments. Secondly, from the beginning the C.R.B. was tied in with governmental policy, particularly of the supposedly neutral American, and the definitely warring Belgian, governments. On the American side, Hugh Gibson, secretary of the American Legation at Brussels, was one of the main originators of this unusual Commission. Belgian officials were vital leaders of the whole operation, and the notoriously Anglophiliac Walter Hines Page, the American Ambassador to London, was strongly committed to the whole idea.

The curious point about the C.R.B., and one that highlights the spuriousness of its neutrality and divorce from politics, is the question, why Belgium? Why a massive relief program to Belgium (and Northern France), and none anywhere else in war-torn Europe? The evident answer is that the C.R.B. was conceived as an extremely clever device to focus the continuous attention of the American people on the supposedly unique sufferings of Belgium, and *thereby* to lead people to keep focussing on the allegedly heinous crime of Germany in warring against "poor little Belgium." The "poor little Belgium" line was the main focal point of the mendacious propaganda of Great Britain, especially in sentimental and poorly-informed America, and it was undoubtedly instrumental in sucking America into perhaps the most senseless and ill-conceived war in which it has ever engaged. Certainly, it was a war with unprecedently bad consequences, for America and for Europe. As Walter Millis has put it:

> When the appeals for aid for the starving Belgians began to come in, offering a sudden practical outlet for the overwrought American emotions, the response was immediate — and the Allies found themselves in possession of still another incomparable propaganda weapon. That the relief of suffering could in any way compromise our neutrality hardly occurred to the Americans who poured out their contributions; but the Allied leaders understood very well that every request for funds in that cause was a conceded demonstration of German brutality and every answering . . . penny doing its part to cement the emotional alliance with the Entente Powers.[5]

Of course, few Americans stopped to realize that the major cause of starvation in Belgium — and in the rest of Europe — was the brutal British blockade, which cut off even such non-contraband items as food from the people of the Continent.

THE IMAGE OF Herbert Hoover as an "isolationist" is as distorted as that of Hoover as an individualist. While apparently originally opposed to American entry into the war, by the Spring of 1917 Hoover had gone over to the pro-war camp, and sent Wilson a warm telegram of congratulations for his war message. Hoover promptly returned to the United States to take a leading part in the "war socialism" which marked America and the leading European participants in World War I.

It is almost impossible to exaggerate the fateful consequences, for America and the world, of the collectivism and central planning engaged in by the leading countries in the First World War. Here was the watershed of our time; and here was the model of collectivism, in a great many of its features: for fascism and naziism; for the central planning of the early New Deal years and during World War II; and for the "military-industrial complex" of the present day. The totalitarian changes of our age began in the impact of World War I, and Herbert Hoover played a large part in their inception.

Being "The Great Humanitarian," Hoover was appointed Food Administrator (also known as "Food Czar" or "Food Dictator") by President Wilson. In accepting, Hoover insisted that he alone have full authority, unhampered by boards or commissions. So eager indeed was Hoover to get started that he set up the Food Administration illegally, several months before it was authorized by Congress. Hoover urged Wilson to set up single Czars in every field, and was

[5] W. Millis, *Road to War* (Boston: Houghton Mifflin, 1935), pp. 73-74. Also see H. C. Peterson, *Propaganda for War* (Norman, Okla.: Oklahoma University Press, 1939), p. 66.

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also responsible for Wilson's creation of the War Council, which served as the overall organ for the central planning of the economy.

Hoover's food-control act imposed the strictest control of any area of war planning. As the historian of government price control in World War I put it, the act "was the most important measure for controlling prices which the United States took during the war or had ever taken."[6] The measure set the pattern for twentieth century American collectivism: Behind a facade of demagogy about the necessity for keeping prices down and regulating business, the Federal government organized a gigantic cartellizing program to keep prices *up* and "stabilize" business under the guidance of government. Thus, the masses would come to think of the Federal government as their proconsul in control of business, while in reality it was the servant of those business interests who wanted monopoly privilege and a quieter life against the rigors of a competitive market.

TWO OUTSTANDING examples were the Hoover wheat and sugar control programs during World War I. Wheat price control was organized as a result of propaganda that the government must step in to see that wicked "speculators" did not push the price too high; but somehow, the government never got around to fixing maximum prices; instead the prices it fixed were *minima,* and these minima were systematically pushed higher in order to maintain the bloated wartime wheat prices after the end of the war. The method of such control was through a gigantic licensing system, under which every food manufacturer and dealer had to be licensed — and to keep its license — from the Federal government. Profits were guaranteed at "reasonable" amounts by fixing cost-plus margins, and any overly greedy competitor who dared to raise his profits above pre-war levels by cutting his prices were severely cracked down on. Hoover organized a Grain Corporation, "headed by practical grain men," which purchased most of the wheat in the country and sold it to the flour mills, all the while undertaking to guarantee millers against loss, and to maintain the relative position of all the mills in the industry. Wilson and Hoover also kept the industry happy by requiring all bakers to mix inferior products with wheat flour at a fixed ratio, something which the bakers were of course happy to do since they were assured that all their competitors were being forced to do likewise. All this was initiated in the name of "conserving" wheat for the war effort.

The fiercely-conducted drive to keep down sugar prices, in contrast, was far more sincere — sincere because the raw sugar came largely from Cuba, and the sugar *refiners* were in the United States and other allied countries. The fact that increased sugar demand *should* have raised sugar prices by the workings of the free market made no impression on the sugar refining interests or on the Allied governments. Hoover and the governments of the Allies therefore organized an International Sugar Committee, which undertook to buy all of the sugar demanded in those nations at an artificially low price, and then to allocate the sugar, in the manner of a giant cartel, to the various refiners. On the other hand, of course, the price of sugar could not be forced *too* low, since then the marginal American cane and beet sugar producers would not be getting their divinely-appointed "fair return." Therefore, the Federal government set up the Sugar Equalization Board to keep the price of sugar low to the Cuban producers while keeping it high enough to the American sugar refiners; the Board would buy the Cuban sugar at the low price and then resell at the agreed-upon higher price. Since an excessively low price of sugar would have caused high public consumption, production was directly ordered to be cut, and consumption by the public was severely rationed.

The food industry, as well as other industries in the Wilson-Baruch program of war collectivism, were delighted with the cartellizing and "stabilizing" (part of which was accomplished by enforcing compulsory standardization of parts and

[6] P. W. Garrett, *Government Control Over Prices* (Washington, D. C.: Government Printing Office, 1920), p. 42.

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tools, a standardization which eliminated many small specialty businesses in machine tool and other industries, and forced production into a smaller number or bigger firms). Thus, Hoover

> . . . maintained, as a cardinal policy from the beginning, a very close and intimate contact with the trade. The men, whom he chose to head his various commodity sections and responsible positions, were in a large measure tradesmen. . . . The determination of policies of control within each branch of the food industry was made in conference with the tradesmen of that branch, meeting at intervals in Washington. It might be said . . . that the framework of food control, as of raw material control, was built upon agreements with the trade. The enforcement of the agreements once made, moreover, was intrusted in part to the cooperation of constituted trade organizations. The industry itself was made to feel responsible for the enforcement of all rules and regulations.[7]

DURING HIS LONG REIGN as Secretary of Commerce in the 1920's, Herbert Hoover carried forth the principles of advancing governmental cartellization of business; production was restricted and cartellized as much as possible by appeals to "elimination of waste," trade associations of business were promoted, export industries were encouraged and promoted abroad, "standardization" was furthered. It was this encouragement of industrial self-regulation, with the governmental mailed fist kept in the background to crack down on the maverick competitor, that launched the characteristic Hoover emphasis on "voluntary" action, and that enabled him to establish specious distinctions later between his own "voluntary" program and the compulsory measures of FDR. Also typical of Hoover's "voluntarism" was heavy emphasis on propagandizing the public. Thus, in his program as Food Czar in the First World War:

> The basis of all efforts toward control exercised by the Food Administration was the educational work which preceded and accompanied its measures of conservation and regulation. Mr. Hoover was committed thoroughly to the idea that the most effective method to control foods was to set every man, woman, and child in the country at the business of saving food. . . . The country was literally strewn with millions of pamphlets and leaflets designed to educate the people to the food situation. No war board at Washington was advertised as widely as the United States Food Administration. There were Food Administration insignia for the coat lapel, store window, the restaurant, the train, and the home. A real stigma was placed upon the person who was not loyal to Food Administration edicts through pressure by schools, churches, women's clubs, public libraries, merchants' associations, fraternal organizations, and other social groups.[8]

Perhaps Herbert Hoover's outstanding "accomplishment" as Secretary of Commerce was to impose socialism on the radio industry. Even though the courts were working out a satisfactory system, based on private property rights in radio frequencies—under which one frequency owner could not interfere in the radio signals of another[9]—Hoover by sheer administrative fiat and the drumming up of "voluntary cooperation" was able to control and dictate to the radio industry and keep the airwaves nationalized until he could secure pasage of the Radio Act of 1927. The act established the government as inalienable owner of the airwaves, the uses of which were then granted to designated licensed favorites, the favorites being kept in line by the Federal Radio Commission's unchallenged control of the licensing power. If private "squatters' rights" had been permitted in radio (and subsequently in television) frequencies, we would have had a genuinely free press in the airwaves. As it is, we have had an air medium totally regulated and integrated into the Federal Establishment. More than anyone else we have Herbert Hoover to thank for government ownership and regulation of radio and television.

[7] *Ibid.*, pp. 55-56.

[8] *Ibid.*

[9] See R. H. Coase, "The Federal Communications Commission," *The Journal of Law and Economics*, II (Oct. 1959), 30-31.

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Hoover was also the first great proponent of Federal dams, and was the initiator of the Grand Coulee, Hoover Dam, and Muscle Shoals projects. Improvement of navigation or reclamation was to be at the expense of the taxpayer and of the flooded private property owners, for the benefit of the recipients of cheap water and cheap power. Hoover was insistent, however, that the Federal government should not *itself* go into the power business; instead, it should thoughtfully build the plants and then *lease* them to private enterprise. Here is another example of state monopoly capitalism: the active use of the Federal government to promote monopoly and subsidize privilege.

UNDOUBTEDLY THE SINGLE most collectivist and despotic governmental action during the ascendancy of Herbert Hoover was Prohibition. It is characteristic of Herbert Hoover that he was one of Prohibition's most ardent supporters. Prohibition, of course, should be quite congenial to modern conservatism. All the arguments for prohibition of narcotics and gambling apply here too: Statistics show that people under the influence of liquor commit more crimes; let a workingman spend his money on liquor and he will become attached to it and waste his money there rather than spend it on nourishing and wholesome food for his children, etc.

Hoover acted in all this like a typical conservative, i. e., glorifying the State and its sacrosanct Laws over the liberty of the individual. His definitive statement on Prohibition as a whole: "Our country has deliberately undertaken a great social and economic experiment, noble in motive and far-reaching in purpose. It must be worked out constructively."[10] Whereas the only way to break down Prohibition was to destroy its enforcement, Hoover maintained that violation of one law destroys respect for all laws, and greatly expanded the nefarious institution of the Federal Prohibition Agent, attempting to make him incorruptible. To the very last, Hoover stood fast for the "noble experiment."

As befitting one of the major leaders in the twentieth century drive for replacing quasi-laissez faire by a tightly controlled and cartellized system, Herbert Hoover favored trade unionism, and the dragooning of the worker into large, "responsible" unions that could be integrated into the New Order. Thus, during 1919/20, Hoover directed for President Wilson a Federal conference on labor-management relations. Under Hoover's aegis, the conference, which included "forward looking" industrialists such as Julius Rosenwald, Oscar Straus, and Owen D. Young, as well as labor leaders and economists, adopted Hoover's recommendations: wider collective bargaining, attacks on company unions, abolition of child labor, national old-age insurance, and government arbitration boards for labor disputes. In 1920, Hoover arranged a meeting of leading industrialists of "advanced views" to try to persuade them to tie in more closely with the American Federation of Labor; Hoover, incidentally, was always close to the A.F.L. leadership.

Hoover committed two striking acts of pro-union interventionism during the 1920's. One was his movements against the steel industry: Steel was operating on a twelve hour day, and groups of Social Gospel ministers suddenly found Biblical sanction for the alleged immorality of any working day over eight hours. Hoover assumed the mantle of evangelical *cum* secular power to force steel to grant an eight hour day. Conducting a skilful propaganda campaign, Hoover induced President Harding to launch several bitter attacks on the steel industry. Finally, in June 1923, Hoover wrote a letter for President Harding to send to Judge Gary of U.S. Steel, sternly chastising the steel companies. This Presidential pressure turned the tide and forced the steel companies to capitulate.

Hoover also played a large role in helping to bring about the compulsory unionization of the railroad industry, and did so long before the Wagner Act. The railroad unions had waxed fat as a result of Federal government

[10] *Memoirs* (New York: Macmillan, 1952), Vol. II, p. 201.

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favoritism during World War I, when the government had temporarily nationalized the railroads (the government operated the roads, and the old owners reaped the profits which the government turned over to them). During the severe (though short-lived) depression of 1921, the railroads asked for wage cuts, and the unions angrily hit back by calling a nation-wide strike. When Attorney General Daugherty acted to preserve person and property by obtaining an injunction against union violence, Herbert Hoover, winning Secretary of State Hughes to his side, persuaded the weak-willed Harding to withdraw the injunction.

Despite Hoover's actions, the unions lost the strike, and so they decided to use the power of Federal coercion to establish themselves in the industry. They finally achieved this goal in the Railway Labor Act of 1926, which guaranteed compulsory unionism (collective bargaining for all) to the railway unions, and imposed compulsory arbitration. Most of the railroads went along with the plan because railroad strikes were now outlawed; but the bill was drafted by union lawyers Donald Richberg and David E. Lilienthal, *and* by Herbert Hoover.

HOOVER WAS ALSO THE victim of a terribly inadequate grasp of economics, leading him to accept the popular "new economics" of the 1920's.[11] The "new economics" stood economics on its head; whereas economics saw that high wage rates in prosperous countries came about as a *result* of capital investment and high productivity, the "new" thinkers concluded that American prosperity had come about *because* employers paid high wage rates. In reality, the market determines wages, and not the goodheartedness or the wisdom of the employer. The employer in modern India who decided, out of the goodness of his heart and/or from reading economic nonsense peddled by Hoover or old Henry Ford, to triple his wage payments would quickly find himself bankrupt. Hoover deduced from this the union slogan that during depressions the worst thing that could happen was lower wage rates. It was this lowering that helped wipe out unemployment and end previous depressions relatively quickly; and it was Hoover's personal use of the mailed fist in the velvet glove to *prevent* such lowering that kept wage rates increasingly and disastrously above market wages during the years 1929-33. This intervention insured that the Depression could not be relieved by natural market forces, or unemployment be lowered from disastrous Depression-born levels.

It was indeed as a depression-fighter that the nation came to know Herbert Hoover best. In all previous depressions, the Federal government had pursued a laissez faire attitude, keeping hands off and letting market forces bring about recovery quickly; and the recovery always came, no matter how steep the depression at the start.[12] But Hoover had long determined that *he* was not going to pursue such a "reactionary, Neanderthal" course. He would rush in, to plan, to inflate, to push up wages and prices and insure purchasing power. He had determinde that he would *plan,* that he would use the full resources of government, all the modern tools of the new economics, to push the economy out of the Depression. And he did just that, except that the results were not quite what the Great Engineer had anticipated.

In pushing through his program, Herbert Hoover created virtually all the lineaments of the New Deal; the New Deal was in fact Herbert Hoover's creation, and historians, now removed from the partisan squabbles of the New Deal period, are increasingly coming to recognize this fact. Massive public works programs, government relief, inflation and cheap money on a grand scale, government deficits, higher taxes, government loans to shaky businesses, farm price supports, propping up of wage rates, monopolizing the oil industry and restricting produc-

[11] This movement is not to be confused with the Keynesian "new economics" of the 1930's.

[12] The government's key role in *producing* depressions in the past is a question which cannot be gone into here. For a discussion of this aspect of the problem, see M. N. Rothbard, *America's Great Depression* (Princeton, N. J.: Van Nostrand, 1963), Part I.

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tion, war against the stock market and stock speculation—all these crucial facets of the New Deal program were launched *con brio* by President Hoover.[13]

Hoover's method of forcing wage rates to remain high was typical of his pseudo-"voluntarism." He lost no time; as soon as the stock market crash broke, Hoover, in November 1929, called all the major industrialists to the White House and told them that they must pledge to keep wage rates up; that, whatever happened, the brunt of the Depression must fall on profits, not wages. This is precisely what did happen; wages were bravely kept up, especially in the larger firms, profits collapsed, and losses, bankruptcies, and mass unemployment ensued and remained unresolved. Since prices continued to fall, fixed wage rates meant that *real* wages (in terms of purchasing power) rose, aggravating the unemployment problem still further. Only in the small firms, hidden from public view, could quiet and secret wage cuts be agreed upon, and the workers continue to be employed. This was indeed the first severe depression in history in which real wage rates *rose* rather than fell: with the result that the Depression was intensified and rendered quasi-permanent. Even when wage cuts finally came, hesitantly, after several years of steep depression, they were so designed as to have little effect. For "humanitarian" reasons, they were largely put through in the higher income brackets and among executives: this, of course, could have little effect in stimulating employment where it was needed: among the lower-income, rank-and-file workers.

Addressing the White House conference, Hoover described his wage-floor agreements as an

> . . . advance in the whole conception of the relationship of businesses to public welfare. You represent the business of the United States, undertaking through your own voluntary action to contribute something very definite to the advancement of stability and progress in our economic life. This is a far cry from the arbitrary and dog-eat-dog atttiude of the business world of some thirty or forty years ago.[14]

The American Federation of Labor was ecstatic over this new era in combatting depressions: "The President's conference has given industrial leaders a new sense of their responsibilities. . . . Never before have they been called upon to act together. . . ." The United States, it proclaimed, would "go down in history as the creator of [an] . . . epoch in the march of civilization—high wages."[15]

One of the most irritating facets of Herbert Hoover was his unshakable conviction that he had never committed a serious mistake. He had entered the White House at the peak of economic prosperity; he had left it, after a new departure in economic planning, in the midst of the most intense and long-lasting depression the United States had ever known. Yet not once, either then or later, did Herbert Hoover falter in his absolute conviction that his every act was precisely what should have been done. In his acceptance speech for renomination, Hoover proclaimed:

> We might have done nothing. That would have been utter ruin. Instead, we met the situation with proposals to private business and to Congress of the most gigantic program of economic defense and counterattack ever evolved in the history of the Republic. We put it into action.[16]

Indeed he did, and "utter ruin" was precisely the result. Yet never once did Hoover falter in his attacks against all criticism, from left or right. Neither was this simply campaign oratory, for never once in his later years, when he was considered by friend and foe alike as a living symbol of laissez faire, did Herbert Hoover fail to look back upon every one of his disastrous deeds, from fighting the Depression to bolstering Prohibition, without finding them right and good. Every four years, Hoover could be depended upon to issue a campaign mani-

[13] For a more extensive discussion and analysis of the Hoover New Deal, see *ibid.*, Part III.

[14] W. S. Myers and W. H. Newton, *The Hoover Administration* (New York: Scribners, 1936), p. 34.

[15] *The American Federationist* (March 1930), p. 344.

[16] E. Lyons, *Herbert Hoover, A Biography* (New York: Doubleday, 1964), p. 300.

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festo proving proudly and conclusively that the Republican Administrations, far from being exemplars of laissez faire, pioneered in the burgeoning statism of the twentieth century.

THERE SEEM TO BE several important lessons embedded in the story of the Hoover myth. One, of course, is the great dimensions of the myth, of the total misinterpretation, on all sides, of the Hoover record. Far from being a libertarian, Hoover was a statist par excellence, in economics and in morals; and his only difference from FDR was one of degree, not of kind: FDR only built upon the foundations laid by Hoover. Secondly, the very pervasiveness of the myth poses some sharp questions about the Right-wing that has so earnestly fostered it. There can be only two explanations of this phenomenon: Either the Right-wing shows itself monumental in stupidity, by mistaking statism for laissez faire; and/or, more significantly, the Right-wing's professed devotion to free enterprise and the free market is only rhetorical, and it will cheerfully welcome a statism slanted in typically conservative directions. A third lesson is that anyone genuinely devoted to freedom and the free market must, once and for all, discard the whole putrescent world-view of the unique diabolism of Franklin Roosevelt and his New Deal. The plain fact is that the New Deal was rooted far back in the past, in the Hoover Administration, and further back into the Progressive period and beyond. Genuine believers in freedom and a free market must cease to regard the American system as having been a grand and splendid one until an unaccountable break came in the 1930's. They have to realize that they must be far more "radical" than they have ever remotely conceived.

With the current issue, Winter 1966, the single copy price of *New Individualist Review* has been raised from 50 cents to 75 cents. Our subscription rate has been increased proportionately to $3.00 and $5.75 for one- and two-year non-student subscriptions, and to $1.50 and $2.75 for one- and two-year student subscriptions. This increase has been made necessary by the expansion of the magazine to its present size.

Readers who have entered their subscriptions prior to February 1, 1966, will continue to receive *New Individualist Review* under the previous subscription rates. No change has been made in the duration of existing subscriptions.

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Twelve Thoughts on Inflation

W. H. HUTT

THE PRESENT WRITER'S interest in the phenomenon of inflation goes back at least forty-five years. He was then an undergraduate at the London School of Economics. The famous Edwin Cannan, at whose feet he was studying, had taken the delightful gesture of suing the British Government under the Profiteering Act for selling pound notes at above their gold value. Cannan wanted to bring home to the public the extent to which inflation had debased the pound sterling.

As a teacher of business administration during the last thirty-eight years, the writer's attention has been repeatedly forced back to this question of the spasmodic, yet persistent, depreciation of money. How can businessmen co-ordinate the private sector of the economy effectively when the most important measuring-rod of all—the *monetary* unit—has been left with no reliable, defined value? Units of length, volume, and weight have been universally defined with meticulous care; but dollars, lire, francs, and pounds have been allowed to change in every significant attribute over time. Hence, the aim in this article is to record briefly the twelve most important p r a c t i c a l conclusions to which the thought of an academic lifetime on this issue has led the author.

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(1) Nearly all inflations have been intentional, calculated actions of governments, however reluctant they may have been. No monetary depreciation in history has ever occurred in which governments have not purposely taken the steps needed to bring it about or, alternatively, have not deliberately refrained from action which could rectify any inadvertently caused inflationary tendencies. If monetary systems had rested solely on private contracts to redeem credit instruments (according to some stipulated standard) inflation could never have occurred.

(2) From time immemorial *princes* debased currencies. To such an extent did this happen that almost invariably the emergence of representative government in different parts of the world was followed by legislation to remove the right of monarchs to reduce the metallic content of moneys. But curiously, with the transfer of the kingly power to parliaments, no similar constitutional limitations were imposed upon elected governments. There *have* been suggestions in the United States, since the Second World War, that the continued decline in the purchasing power of the dollar should be brought to an end by incorporating the objective of a stable price index, by amendment, into the Employment Act of 1946; but the leadership which could have forced governments to take so difficult a step has thus far been lacking.

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(3) When governments plan the programs which force up the cost of living they are usually reluctant. If they (or their advisers) could conceive of some means other than inflation for keeping their supporters happy they would make use of them; but provided the public generally does not predict the speed with which it is to occur, or its duration, inflation accords governments an easy access to income—unauthorized by democratic process—with which to purchase popularity, as well as an easy means — although a clumsy and unjust means — of temporarily alleviating the most common causes of disco-ordination in an economic system.

(4) Inflation can serve as a sort of palliative or anaesthetic which deadens the pain of a serious economic disease, namely, disco-ordination due to different categories of prices coming to be wrongly related to one another. Various types of restraint on competition permit wage rates and prices to be fixed too high to permit the full flow of output to be purchased from uninflated income, or too high in relation to price expectations. When one kind of labor or its product is priced too high, the sources of demand for non-competing labor and products are reduced; and if prices generally are rigid downwards, a cumulative decline in activity is set in motion. In the absence of inflation, therefore, the symptoms of the disco-ordination so caused are unemployment and depression.

AN ORGANIZED depreciation of the monetary unit, however, *may* bring about some sort of reco-ordination of the price system, in spite of its injustice. *Under favorable conditions,* it can cause the prices realized for products to rise more rapidly than the costs of making them. This may render profitable the employment of some presently unutilized or under-utilized productive capacity. For instance, if costs such as wage rates have been fixed higher than the public can afford to pay for the full supply of labor, a slowing down of output, with unemployment, is threatened. Inflation can then raise prices in relation to costs and so keep the economy going. Similarly, if producer-dominated marketing commissions have forced up the prices of primary products (raw materials or food) so that the public begins to be unable to afford to buy all that is being produced, again inflation can, in a crude sort of way, rectify the position by validating the higher prices. *But all this depends, of course, upon the public as a whole not expecting it.*

Eventually the recipients of wages *as a whole* and the farmers *as a whole* receive no more for their services. Their persistent striving to squeeze more for themselves out of the common pool is self-frustrating because the prices of the things which *they* have to buy are equally forced up by the process; but elected labor union officials can often retain their jobs only if they can show that they have raised wage rates year by year; and organized farmers habitually think it right that they should be paid a little more each year for their products. Hence in this inflationary age, wage rates and primary product prices tend to be raised, again and again, above what the public could afford in the absence of concurrent inflation; and so it seems as if the whole fatuous process has to be kept going.

(5) When the prosperity achieved by inflationary means happens to be accompanied by thrift, economic growth will occur, although in a less productive form than non-inflationary growth; and the easily won and largely illusory development tempo then gives rise to a confusion of growth with rising prices, a confusion which politicians (not surprisingly) encourage. But growth is purely a matter of thrift. Rising prices are *not* a condition for growth. On the contrary, there are good reasons for regarding inflation as, on balance, a discouragement of growth. In countless ways, rising prices tend to induce consumption. In particular, the "money illusion" all too easily causes insufficient provision to be made for depreciation and the maintenance of "real capital" intact.

(6) The result of trying continuously to co-ordinate by inflation is that the

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basic causes of the disorder so crudely rectified are never tackled. For this reason, inflation is a more insidious and virulent manifestation of the disease of disco-ordination than unemployment and recession; for the latter, being more painful, create incentives for fundamental reform.

(7) The origin of the most serious disco-ordinations of the modern economic system lies ultimately in the corrupting influence of a tradition whereby governments have come to be regarded as beneficent distributors of favors to the people, the people in turn rewarding governments by keeping them in power. This tradition creates a situation in which governments can intimidate minorities (unless the minorities happen to be able to disturb the balance of political power). Business managements become disheartened and obsequious; and because inflation seems to offer the only way out, they acquire the habit of acquiescence in it. At the same time politically powerful groups or institutions are given virtual carte blanche to pursue purely sectionalist objectives. That is why the private use of coercive power — the most obvious cause of disco-ordination in the pricing mechanism—has come to be tolerated.

(8) The crucial task, yet the most difficult task, of a truly planned regime is to secure co-ordination without inflation; and that means, in the first place, protection of the community from such sectionalist actions—particularly on the part of trade unions—as are calculated to reduce the flow of wages and other forms of income and render its distribution less equitable. A reduced flow of uninflated wages is always the consequence of any forcing up of wage rates (and hence product prices) in certain sectors otherwise than through free market pressures. If governments were aiming at (i) the maximization of the wage-flow, and (ii) equality of opportunity as a determinant of the distribution of wages, they would be *ipso facto* achieving effective co-ordination, for both rising prices *and* unemployment would then be simultaneously eliminated. But to achieve this result they would be forced to take the initially unpopular step of enshrining the right of all, and particularly of the poorer classes or races, to keep the price of their labor at a minimum. For instance, if equality of opportunity, distributive justice, and economic efficiency had been primary objectives in the United States, the minimum wage laws, which have slowed down the industrial progress of Negroes in the underdeveloped South, would never have been passed.

For identical reasons, governments would have to prevent other forms of contrived scarcity. A good example is the price supports which have become common where governments have been directly active in agricultural marketing. When the prices of primary products and food are raised, people have less uninflated income to spend on other things; and if the prices of these other things are rigid, that must mean the unemployment of some of the productive factors which manufacture them also. Dynamic forces cause cumulative contraction.

(9) THE TECHNIQUE OF inflation demands that governments and their agencies shall continuously deceive the public about the fact, the speed, and the duration of inflation intended. Ministers of Finance have here no option but to employ what has been called the "necessary untruth." Unless they do employ this technique, inflation will lead to costs rising as rapidly as prices, or in advance of prices, thereby destroying the whole purpose of inflation. Moreover, yields on fixed interest bonds will be forced up and yields on equities forced down. As Professor Ludwig von Mises has insisted:

> These enthusiasts [for inflation] do not see that the working of inflation is conditioned by the ignorance of the public and that inflation ceases to work as soon as the many become aware of its effects upon the monetary unit's purchasing power....This ignorance of the public is the indispensable basis of inflationary policy. . . . The main problem of an inflationary policy is how to stop it before the masses have seen through their rulers' artifices.[1]

[1] L. von Mises, *The Theory of Money and Credit* (New Haven, Conn.: Yale University Press, 1953), pp. 418-19.

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The phrase "necessary untruth" was used in 1949 by the *Manchester Guardian*[2] in justifying the conduct of the British Chancellor of the Exchequer, Sir Stafford Cripps, who, just before the British devaluation of that year, and after it had been finally planned, had categorically denied on no fewer than nine occasions that it was intended. The British Government had secretly discussed the proposed step for some time, almost inevitably setting into circulation rumors of what was contemplated. They had finally decided to devalue, it seems, at least three weeks before they were ready to put their decision into effect. They had to discuss it first with the United States, Canada, and the International Monetary Fund. In the meantime it became imperative to mislead the trustful for the benefit of the mistrustful.

It had for some time been governmental technique to pretend, in order to dissuade rational reactions, that "suspensions" of convertibility were merely temporary breaches of obligation. Thus, in 1931 there occured one of the most disturbing examples of the necessity to mislead in order successfully to reduce the value of a nation's currency: Dr. Vissering, head of the Netherlands Bank, telephoned Mr. Montagu Norman, Governor of the Bank of England. He inquired whether his bank would be justified in retaining the sterling it was holding. Dr. Vissering received from Norman an unqualified assurance that Britain would remain on the gold standard. He believed what he was told. In consequence, his bank lost the whole of its capital; for the very next day Britain abandoned gold. Through the same act, the Bank of France lost seven times its capital.[3]

Two years later, using the argument that he wanted "to control inflation," President Roosevelt persuaded Congress to give him extraordinary discretionary powers in the monetary field. Then, in April of that year, he decided to call in all privately owned gold "as a temporary measure." There was no suggestion that the real purpose was a forced depreciation of the dollar in terms of gold, the issue of an enormous number of notes, with open market operations by the Treasury and Federal Reserve System to acquire government securities and hence perpetuate the depreciation.

The fact that the Bank of France had been called upon to falsify its balance-sheet in 1925, in order to maintain confidence, had been regarded as a shocking incident by those who understood what had happened.[4] But exactly the same *kind* of deception is inevitable if inflation is ever to be continuously successful. A delightful euphemism is "creating a favorable climate of opinion"!

Because a policy of creeping inflation must rely upon persistent deception, its survival in the modern world is obvious evidence of the corruption of government and of the disintegration of trustworthy relations between governments.

In 1922, in negotiating a settlement with the American Debt Funding Commission, Britain had confined herself, on the whole, merely to asking that the rate of interest should be 3½% in accordance with her credit standing. Professor B. M. Anderson, at that time economist to the Chase Bank, commented: "The British were superb in this. They were proud, magnificently proud. They asked little consideration."[5] Perhaps Britain was then the loser, in material terms; but can we be indifferent to the moral deterioration which has subsequently become evident, recorded in an era which demands "necessary untruth"?

(10) The disintegration of *faith in money* (ultimately, of *faith in government*) has involved the peoples of the world in formidable material costs. In the pre-1914 era, simply because no one ever doubted that "banks of issue" would honor convertibility obligations, there were no balance of payments difficulties, no hot money flights, no devaluation scares, no complaints of world liquidity shortages, no restraints on international

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[2] September 21, 1949.

[3] B. M. Anderson, *Economics and the Public Welfare* (New York: Van Nostrand, 1949), p. 246; also, W. A. Morton, *British Finance, 1930-1940* (Madison, Wis.: University of Wisconsin Press, 1943), p. 46.

[4] B. M. Anderson, op. *cit.*, pp. 154-56. Anderson refers to the *Commercial and Financial Chronicle* (New York), April 11, 1925.

[5] B. M. Anderson, op. *cit.*, p. 293.

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settlements, no blocking of foreign balances, and no quantitative trade restrictions for balance of payments purposes. In that co-ordinated era, even such *concepts* (which the present disco-ordinated age treats as everyday notions) would have been incomprehensible.

The enormous administrative costs of today's "controls" are obvious enough; but the losses due to the economic distortions they cause—domestically and internationally—are incomparably heavier. World disco-ordination is a product of the continuous misdirection of expectations which the inflationary technique necessitates.

(11) THE ONLY WAY IN which the general public can discourage inflation is to make it unprofitable. They can do this when they are in a position to insist upon fixed income contracts being revised *ahead of* instead of following the price increases at which official policy is aiming (perhaps via "escalator clauses"), and refusing to accept the dishonest assurance that their insistence can be a cause of inflation. A similar discouragement is effected when investors learn to avoid fixed interest bonds, except at very high yields to compensate for monetary depreciation.

(12) When more and more people begin to understand what is happening, a government which wishes to persevere with inflation is forced to take authoritarian action. It has to discourage or prevent *those who understand* from using market institutions to escape the destruction of the real value of their savings. In other words, when enlightenment spreads, for a government to engineer rising prices successfully demands eventual resort to price controls, rent controls, import controls, exchange controls, controls of capital issues, "income policies," and so forth. In the absence of inflation, all controls of this kind (or extra-legal "persuasions" with the same object, backed by arbitrary state power) have no purpose.

TO WHAT GENERAL conclusion are we led after consideration of these twelve points? Is it not that the gradual drift of the so-called "free world" towards a totalitarian concentration of power has had its origin in the creeping inflation which, dating from the 1930's, seems to have been mainly inspired by Keynesian teachings? Through public acquiescence in perpetually rising prices, we are threatened with an emergence of the sort of social order which, less than three decades ago, the blood of countless patriots was spilled to prevent.

In recording these thoughts, is the writer the victim of a futile nostalgia—a naive longing for the nineteenth century era? Has not inflation perhaps been an inevitable step towards a slow, inexorable transfer of consumer freedom (and the entrepreneurial freedom which is its consequence) to the state? Certainly there are those who, with a dogmatism of Marxian stubbornness, will argue that, once the institutions of representative government had been conceded, politicians were bound, sooner or later, to discover the potentialities of twentieth century techniques of persuasion and propaganda; whilst that discovery could not fail to mean the ultimate passing of authority to those most skilled, or most uninhibited, in controlling the minds and purchasing the support of political majorities. If they are right, the stereotype of the state as the donor of benefits was predestined to emerge; recourse to inflation had necessarily to follow; and as the community began to be more difficult to deceive, and started to use the remnants of the free market economy to evade the burden of inflation, the urge to totalitarian government became irresistible.

To those who are inclined, for such reasons, to acquiesce in, or make terms with, the totalitarian trend, the "classical" type of analysis, like that presented above, seems to have become irrelevant. What the rulers of modern society *now* need, they feel, are formulae which assist officialdom in maintaining a nice balance between plausibility or electoral acceptability on the one hand and mitigation of the more obvious causes of unrest on the other. It comes to be regarded as more important, therefore, for economists to be experts in semantics than ex-

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perts in explaining dispassionately to students and the public the nature of the economic process. Indeed, governments have no alternative but to choose economic advisors from those who understand their basic problems, all of which center on the need for the retention or winning of office. Accordingly it becomes the duty of the universities to provide the required training. Useful economics, they will insist, is "operational." That is, it is a kind of economics which takes politically decided objectives for granted, concentrates on the problems which arise in seeking those objectives, and isolates the kinds of data (and types of statistical analysis) which are of service in satisfying the politically powerful and placating the politically weak.

Would inflationary policy (with its eventual totalitarian outcome) have been inevitable, however, if the public had been taught the above twelve truths (if they are truths) about inflation? Suppose economists in the leading universities had maintained their political independence and reiterated with unanimity the simple points we have stressed. Would not the authority attaching to their teachings, together with the almost self evident irrefutability of the propositions themselves (to men of affairs), have forced the abandonment of inflation? And in renouncing the inflationary remedy for disco-ordination, would not the state have been forced to re-assume its traditional task of protecting the co-ordinative mechanism of the price system from sabotage by sectionalist action? Would not suppression of the private use of coercive power have permitted the social discipline of the free market to bring different categories of prices into harmonious relationship with one another, without inflationary validation?

But this was not to be. From the middle thirties — for reasons which cannot be discussed here — Keynesian economists slowly got the upper hand, not only in the counsels of governments but in most of the universities. "Classical economics," the product of more than a century of disinterested, scientific thinking, was pushed aside as fundamentally wrong. It was replaced by the more plausible doctrines of Keynes' *General Theory* — doctrines built on a number of obscurely enunciated propositions which, because obscurity all too easily suggests profundity, greatly impressed the layman—an influence which was magnified through the subsequent elaboration of the propositions by mathematicians.

The fact that, since the war, every unique Keynesian theory which clashes with classical economics seems to have been tacitly abandoned, in the sense that it can no longer be rigorously defended,[6] has hardly discouraged the continued indoctrination of students of economics in the new orthodoxy. Indeed, so strongly is a powerful Keynesian establishment now entrenched within the universities, and so influential are the vested interests it has built up, that even non-Keynesian economists have mostly felt themselves forced to attempt to persevere with its concepts. The most widely used textbooks remain Keynesian, and the young student of economics is seldom made aware that ideas like those explained in this article can be seriously entertained except by cranks. Yet the present writer is convinced that, if free and fair competition between the Keynesian and "classical" notions had been permitted, only the latter could have survived.

AS THINGS ARE, THE Keynesian thesis which — as one apologist put it — "removed inhibitions against inflation," still dominates policy in Britain, in the United States, and, indeed, in most parts of the world. Governments, relying on the fruits of a technological progress which current policy has hampered but not prevented, will not easily renounce the myth that they can foster the spending of a country into prosperity and growth whilst they simultaneously "fight inflation."

[6] For the evidence supporting this assertion the reader's attention is directed to the present author's *Keynesianism — Retrospect and Prospect (Chicago:* Regnery, 1963), chap. xix, "The Retreat"; and his recent article, "Keynesian Revisions," *South African Journal of Economics,* XXXIII (June 1965), 101-13, reprinted in the *Rampart Journal,* I (Winter 1965), 1-18.

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Raico on Liberalism and Religion

M. STANTON EVANS

IN A RECENT issue,[1] *New Individualist Review* carried an article by Ralph Raico which was among other things an extended attack upon a contribution of mine to *What Is Conservatism?*[2] I had intended a reply before this, but the pressure of journalistic duties, followed by a rather hectic session of the Indiana legislature, has intervened. I trust, however, that the nature of the subject will make this belated continuation of it of some interest to *New Individualist Review's* readers.

The article which ignited Raico's displeasure argues that the imperatives of freedom and religious authority were not, as sometimes asserted, incompatible, but complementary. In so alleging, I briefly sketched the outlines of what I call "classical liberal" philosophy and traditional conservatism, trying to show that the alleged contradictions were more a matter of mortal confusion than of philosophical necessity. In rebuttal, Raico contended my discussion of classical liberalism was mistaken, both in the round and in its several particulars; that I had along with other conservatives and divers spokesmen for modernity, erred in calling this school of thought "superficial, unrealistic, and obsolete."

My first observation on this charge is that my views on "classical liberalism," however broadly or narrowly the term may be defined, do not coincide with the usual modernist critique of it. I am in general agreement with the economic views of the classical liberals. I happen to think that, in discussing the secular modulations of freedom and the secular conditions most agreeable to its continuance, Herbert Spencer is hard to surpass. It is precisely in this respect, of course, that the views of the classical liberals are nowadays most disparaged.

Where I depart from classical liberalism's most famous spokesmen is the point at which modern collectivists tend to agree with them—in their mechanical, materialist, and relativist view of human nature and ethical principles. As I tried to argue in my previous article, the classical liberals all too clearly foreshadowed modern-liberalism in this respect, and helped lay the ethical foundation for the rise of the total state they wanted to avoid.

In lumping together the critics of classical liberalism, therefore, Raico is liable to give the reader a wrong impression of my differences with nineteenth century spokesmen for laissez faire. My position is not one of blanket condemnation, but rather one of arguing that, while the secular views of the classical liberals are by and large correct, their ethical views in the long run undermine the freedoms they thought they were protecting.

M. Stanton Evans is the editor of the *Indianapolis News* and author of *Revolt on the Campus, The Liberal Establishment,* and co-author of *The Fringe on Top.*

[1] Vol. III, No. 3, Autumn 1964.

[2] (New York: Holt, Rinehart, and Winston, 1964.)

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My argument is so insistent on this point that Raico, despite his tendencies toward amalgam, perforce devotes most of his comment to battling against it. Once more, however, he neglects to keep the categories of the discourse in order. My purpose in *What Is Conservatism?* was, in part, to examine the philosophical strain in Western society which, as most characteristically put forward in England and America during the past century, I identify with the terms "libertarian" and "classical liberal." I explicity note that *some* people who put themselves in this category do not fit my definition, since they do profess religious sentiments. "To the extent they do," I say in an explanatory note which appears with the article and which in fact appeared with it in its original incarnation as far back as 1960, "I trust my terminology will not obscure the fact that the argument of this essay is not an attack on such 'libertarians,' but a vindication of them."

Raico chooses to ignore the meaning of this statement, feigning to believe my critique includes everyone in the nineteenth century, religious or otherwise, who embraced the principles of freedom. He then cites certain examples of religious devotees of liberty as disproof of my argument. The deficiencies of this tactic are so grave as to be, in themselves, fatal to his position. He in effect ignores the definition I explicitly set forward, as the central condition and point of my article; bootlegs another definition of his own without making it explicit; glosses over the transposition in terms by suggesting I have employed his categories despite my direct statement to the contrary; and then taxes me for violation of his unstated taste in noun substantives. If I had used the categories he appears to favor, there would have been no point to the article in the first place. The purpose of my essay was to examine that class of people who *do* believe irreligion and liberty to go hand in hand, and to argue that they are mistaken. *Of course* there have been libertarian spokesmen who also believed in a profoundly religious view of the universe; I acknowledge the existence of such people in my article. More, I cite them as examples of the *correct* view of things, *in opposition* to those who believe irreligion the handmaiden of freedom. Burke, Smith, Acton, and Tocqueville are some I mention explicitly. To bring these people up as a rebuttal to my assertions about irreligious classical liberals is comparable to citing Barry Goldwater as proof that Lyndon Johnson is not a Democrat.

Thus launched into obscurity, Raico proceeds to divide his argument unevenly among a number of points. In some places, he seems to object to the argument that there *are* people who believe liberty can be protected by tearing down religious authority. Secondly, and in this modulation he consumes most of the space in his criticism, he argues that, whatever the general case with people of this description, classical liberalism is not the correct label for them. Like Pascal, I am not much inclined to argue about names so long as I know what is meant by them. If Raico wants to call such people by another name, well and good; let us have the name; we can then go on, using Raico's terminology, to explore the real issues involved. While he quarrels with my use of the term, Raico ignores the specific content I give it and neglects to say what terminology he would himself apply to the irreligious-libertarian point of view so that it might in some way be discussed. His approach suggests he either does not grasp the import of my article, or else does not want to talk about it. In either event, he has not answered it.

Finally, and this may be the reason Raico neither acknowledges the real nature of my argument nor reformulates it in his own terms, he goes on to suggest that, although there *are* irreligious classical liberals, their views are a matter of indifference, since the maintenance of freedom is a purely secular business. On this score, he begs the question to which my article is addressed. My view is exactly that the maintenance of freedom is not, and cannot be, purely secular, and that the profession of irreligious, relativist ethics is in the long run harmful to liberty. At no point does Raico close with my views on this score, as he would have to do if he paraphrased

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them correctly rather than presenting them in caricature.

To sustain his criticism while omitting substantive argument, Raico undertakes a laborious analysis of my statement that the classical liberal "characteristically denies the existence of a God-centered moral order, to which man should subordinate his will and reason," alleges human freedom, "as the single moral imperative," and otherwise is a "thoroughgoing relativist, pragmatist, and materialist." His comment is that the classical liberal is not in fact like this, and that the characterizations are in several instances meaningless anyway.

As to the irreligious nature of "classical liberals," I have already noted Raico's principal tactic. At different points in his article, he directly or indirectly accuses me of ignoring or "dismissing" certain religious classical liberals. In point of fact, I "dismiss" no religious classical liberals; they are the very type of correct reasoning suggested by my article, men who combine *both* ethical affirmation and concern for human freedom. They are the heroes of the piece. This is the most frivolous of his arguments, and I have no doubt belabored it sufficiently already.

MORE TO THE POINT is a second version of Raico's position — that although irreligious classical liberals do exist, they are no more numerous than the religious sort, and that their irreligion has no necessary connection with their libertarian views. This argument from statistical insignificance is patently incorrect. Whatever the numerical incidence of such people, the issues raised by them are still there, and still distressing. It is their position, not that of an Acton or Tocqueville, which has given rise to philosophical contention within the ranks of conservatives; it is their position which clashes directly with what is understood to be conservative ethical theory; it is their position which is emphasized nowadays in public discourse, in part by critics of conservatism, but also by sectarians within the conservative camp. The whole purpose of the article was to discuss these deep-going differences—to take the "libertarian" and "authoritarian" positions in their most antinomian terms, in order to explore the philosophical tensions between them. To reconcile Acton with Burke, while no doubt a problem to test the mettle of political philosophers, would be nothing to the purpose, since both occupy, comparatively speaking, middle ground. But to explore the possibility of uniting Spencer's economics with de Maistre's ethical theory, although clearly too ambitious a project for my talents, is very much to the purpose indeed. The latter effort speaks to the philosophical stress within the conservative camp today, and which was recognized by de Tocqueville more than a century ago. Raico faults me with not taking the solution to the problem as the statement of it.

As to whether the agnostic strain in libertarian philosophy is important enough to merit this kind of treatment, and to justify using "classical liberalism" as an eponym for such belief, the names of Mill and Spencer should be sufficient answer. Raico passes over these giants of classical liberal thought as though they were but random faces in the crowd, preferring the example of John Bright. But to adduce the atypical Quakerism of Bright as proof of the religious character of classical liberalism is no more convincing than to cite the formal devoirs of the National Council of Churches as proof of the religious character of modern-liberalism. The Bright example fails on at least three counts. First, while Bright was sincerely theistic, the emphasis of his public advocacy (and private contention within the Society of Friends) was on the secular aspects of reform, and it was in this secular business that the entire impact of his public career was made. Ficino and Erasmus were, in their way, equally pious; yet it was the pagan secularism they mixed with Christianity which left its mark on Renaissance scholarship, and it was in its thrust toward secularism that the Renaissance helped shape the modern consciousness. Second, Bright occupies little or no place in the theoretical development of classical liberalism, any more than a LaFollette or Borah occupies a place in the theoretical development of modern-lib-

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eralism. Bright was all free trade and extend-the-franchise, and while a consistent libertarian and a man of probity, he was a politician and not a philosopher. Third, precisely because Bright was not a philosopher, he was not called upon to square his private theism with the implications of classical liberal chiliasm and environmentalist notions about man. When such a confrontation of thought *was* made by nineteenth century liberals, it is noteworthy that they either repudiated liberal assumptions (as did Acton), or else repudiated Christian ethics (as did Spencer).

If we would understand the philosophical tendencies of classical liberalism, we must turn to its explicit theorists, as represented in the clear line of development from Hume to Sumner. In this history, Mill and Spencer have a pre-eminent claim upon our attention. It is from them that classical liberal philosophy received its most powerful impulses and most characteristic form. It is from them that the notion of irreligion united with secular liberalism continues to draw sustenance. Mill is still considered the great aboriginal spokesman for civil liberties. Spencer, above all other men, put the impress of his thought on the rationalization of the free enterprise system, ably assisted in America by the complementary efforts of Sumner. To suggest classical liberal thought *was* religious, *with the exception of Mill and Spencer,* is very much like suggesting late Victorian culture, *with the exception of Darwin and Huxley,* affirmed special creation. To argue that we should hold the immense force of the ideas generated and formalized by these two powerful intellects—ideas which long dominated English and American thought and which in their ethical tendencies are all too unhappily attuned to modern disintegration—at parity with the opinions of Madame de Stael is equivalent to saying we cannot identify Communism with Marx and Engels because Proudhon also has his claims in the matter. Mill and Spencer alone would, I think, justify appropriating "classical liberalism" to describe anti-clerical libertarianism, and for making it the object of considerable examination. But they do not, of course, stand alone. To their names might be joined those of Diderot, Condorcet, Faguet, Hume, Godwin, Paine, Bentham, Sumner, Nock, Mencken, and Miss Ayn Rand, to mention only a few.

If any of these deserves to be mentioned along with Mill and Spencer, it is Sumner, whose formulation of classical liberalism looms enormously in any conspectus of American thought. It was Sumner who preached to Americans the evolutionary ethics of which Spencer was the acknowledged master, and taught that all values are relative to the needs of time and place; whose views became embodied in American thought and practice and translated into law through the labors of Mr. Justice Field and others on the Supreme Court; who preached the radical disjunction of liberal sentiment from religious profession, and whose inconsistencies foretold the unhappy results of that separation. Himself a Puritan by temperament and upbringing, Sumner believed the Protestant Ethic could stand on its own secular merits even after society, like himself, had put its religious beliefs in the drawer never to retrieve them. He believed it possible to construct a purely materialist and relativist system while maintaining the strict moral outlook indicated by his Puritan ancestry. The experiment has not worked. Once the religious underpinning was removed, the subtle comprehension of material forces desired by Sumner could not be counted on to sustain human motives toward liberty and self-reliance, as our own era has all too conclusively demonstrated. Sumner helped demolish the moral foundations which alone can support a regime of freedom.

So much for classical liberals' not believing in a "God-centered moral order." On the secondary point that classical liberals do not believe man should subordinate his will and reason to this order, Raico generously refrains from annihilating me because he considers it of small importance. He then goes on, in a footnote, to say even Christians do not necessarily believe man *should* subordinate his will and reason to the divine order, citing a commentary in paraphrase of St. Thomas. His construction of this

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point is in error. St. Thomas believed a portion of the divine order, revealed in the Natural Law, apprehensible by reason; he did not, however, believe it was validated by reason. The ultimate *sanction* for all truth, natural and divine, is in the Christian view of the will of God. Raico has got Christian orthodoxy hopelessly turned around, as he will readily discover if he opens the *Summa* to Question XCI, Articles 2, 3, and 4.

On the issue of a *causal* connection between irreligion and libertarian attachment, enough has been said, I think, to show that Raico has twisted my position inside-out. "Even if a majority of liberals had been atheists and agnostics," he says in supposed rebuttal to my position, "the connection is so far accidental and historically-conditioned, and not logical." The burden of my argument, of course, is precisely that there *is* no logical relationship between the anti-religious views of Mill, Spencer, et al., and the establishment of the free society they desired. On the contrary, I argue that lack of religious grounding leads to slippage from freedom. Mill's intellectual career is a perfect example of this.

The connection between libertarian views and anti-religious tendencies is, therefore, not causal, but adventitious. That the dominant spokesmen for classical liberalism gravitated to anti-religious thought is a matter not of integral connection but of historical fact. The relation, to use Hume's terminology, was not causal, but conditional—apparently founded in the assumption which has vitiated modern thought from the Renaissance forward, that supernatural authority is the enemy of freedom. This assumption, far from being my own, is the chief target of my article.

RAICO NEXT objects to my statement that classical liberals elevated human freedom as "the single moral imperative." Other values, he says, were also cherished by them. The reader of Spencer's *Principles of Ethics* and *Social Statics* will be constrained to disagree with Raico's interpretation of this author. The necessity of a regime of freedom is Spencer's "first principle"; all other principles he deduces from the irrefragable rightness of liberty. Raico incorrectly alludes to Spencer in his effort to prove otherwise. Spencer's *summum bonum* is the existence of mutually sacrosanct zones of freedom for all men—the ability of each to do as he pleases so long as he respects the equal ability of everybody else. He states and restates this as the first law of moral philosophy, recommended by science, logic, and the intuition of fitness which is the final authority for every value system. "Positive" and "negative" beneficence are not moral values, but utilitarian functions of the human mind which enable it to comprehend and enjoy the balance of freedoms that is the end and justification of all other principles. Negative beneficence consists in refraining from encroachment upon other men's satisfaction; positive beneficence is the ability to derive part of one's own satisfaction from the fact that the general system of freedom has displaced the reign of license in which one man's desires are satisfied at the expense of another's. In the second category, Spencer's disquisition greatly resembles Hume's treatment of "sympathy" in the *Treatise*, in which benevolent tendencies are ultimately derived from the self-regarding faculties. Spencer's view is even more mechanical than Hume's (subsequently modified in the *Inquiry Concerning The Principles of Morals*), because it clearly views this tendency as a means toward achievement of universal freedom. "Positive" and "negative" beneficence, in Spencer's system, are props to his first principle of mutual liberty, and derive their sanction from it. Freedom is, for Spencer, quite obviously the "single moral imperative." Spencer's inconsistency in bringing "intuition" into play at this juncture is characteristic of the classical liberal position as a whole, even when the matter is not made as explicit as Spencer makes it. My point is that, given the relativist-utilitarian ethics of the Mill-Spencer school, there is no logical reason to exempt human freedom from the potencies of the system. If morality is the function of secular arithmetic or the adjustment of secular means to secular

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ends, or a coefficient of the evolutionary struggle, then it is altogether possible that, somewhere along the line, freedom must give way to the calculus, the adjustment, or the evolution. This was a conclusion Mill and Spencer were loath to draw, in effect excepting liberty from their mechanical systems. This is, to be sure, an inconsistency; but again, it is not my position, but the position of the classical liberal spokesmen whom I am criticizing.

Finally, Raico questions my use of the terms "materialist," "pragmatist," and "relativist," alternately claiming them to be untrue or professing himself baffled by my meaning. Each of them refers to the classical liberal tendency of deriving value from the conjunction of secular phenomena and subjective apprehension. Spencer is an aboriginal "materialist" in the philosophical sense; value for him arises from the evolutionary progress of history toward its "higher" forms; good and bad are the terms we give to the adjustment of means to ends in the battle for biological and cultural survival. As for "pragmatism," both Mill and Spencer were pragmatists a half-century before James and Dewey; both test values by their practical consequences. Spencer's language in *Social Statics* is pragmatic at every turn. If the reader will peruse Mill and James consecutively on the subject of religion, he will find the first values it because it provides rules for moral life, suggesting a secular substitute would do as well or better, and the second favors it because it evokes a release of vital energies. It should be obvious to the rudest intelligence that both men take a "pragmatic" view of religion—judging it solely by its "practical" effects in the secular world.

Both Mill and Spencer, finally, are clearly relativists in the sense that they deduce value criteria from secular and largely subjective phenomena. Both begin with the pleasure-pain calculus, making right and wrong a function of human comfort; Spencer superadds the asserted "laws" of evolutionary development. To assert this utilitarian view is a form of "absolutism," as does Raico, taxes credibility even in an Orwellian generation. Presumably, all criteria of value are "absolute" in a sense if one is prepared to act upon them; to a dope addict, securing the next fix is the most compelling of absolutes; but we would be justified in launching further inquiry before anointing him as a moral absolutist. According to received notions of intelligible discourse, "absolutism" holds values to exist independent of subjective apprehension. Mill-Spencer utilitarianism makes values consist exclusively in such apprehension. "The facts are what they are," Raico says of the pleasure-pain calculus; but "happiness," as Spencer himself noted, is not a fact, it is a state of mind; the greatest good for the greatest number" is not a fact, it is a matter of opinion. To make these things the measure of value is to throw all fixed and objective values out the window, to make right and wrong a function of secular stress and contention; it is relativism par excellence.

ALMOST ALL of the foregoing, however, is oblique from the main point, and I have gone into it only because failure to respond to Raico's charges might give some readers the impression that I conceded their correctness. The fact of the matter, however, is that even if I could settle all of these differences to Raico's satisfaction, or he to mine, the outstanding issues of freedom and authority would be no closer to resolution than before. While clarity in the use of terms is desirable, it is chiefly important as it helps us to advance in substantive understanding. I am therefore reluctant to leave the present discussion with a *pro forma* defense of my previous article, which I fear would create an unhappy emphasis on lesser issues at the expense of greater ones. Let me, then, repeat what I consider to be the chief topic before us, namely: *Can a regime of political freedom long exist without the underpinning of religion and moral sentiment derived from Judaeo-Christion revelation?* There is a considerable history of modern Western thought, ranging from Diderot to Mencken, which says it can, and which has worked great influence in contemporary America and

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elsewhere. The important point about this school is not whether we call it or some subdivision of it "classical liberalism," but whether its major premises are true or false. A certain number of "libertarians" today appear to think they are true. I for one think they are dangerously false. That is the issue, and the terminology of the thing — while I happen to believe my own usage is justified —is of little or no importance compared to the substance of it.

Reply to Mr. Evans:

BEFORE I DEFEND my critique against Mr. Evans' rebuttal, I should like to explain briefly why I took time to attack Evans' article in the first place.

In their attempt to carve for themselves a position of relevance in discussions of contemporary social problems, conservative writers sometimes present a sketchy philosophical outline of the historical development of classical liberalism, attempting to show deeper reasons for its decline than those readily admitted by classical liberals themselves. The attempt has been supported by writers such as Russell Kirk, Frank S. Meyer, and Eric Voegelin. Dr. Kirk, for instance, sees the original flaw in the liberals' excessive commitment to individualism, especially in the form of economic liberty:

> . . . central direction endeavors to compensate for the follies of reckless moral and economic atomism. . . . [The liberals'] sentimental liberalism soon became shocked at its own practical consequences; the economic competition and spiritual isolation which resulted from the triumph of their ideas provoked among them a reaction in favor of powerful benevolent governments exercising compulsions.[1]

Mr. Meyer, an advocate of economic liberty, identifies the seed of corruption in liberalism rather as its supposed utilitarian ethic:

> This transformation [from individualistic to collectivistic liberalism] was the result of a fatal flaw in the philosophical underpinnings of 19th-century liberalism. It stood for individual freedom, but its utilitarian philosophical attitude denied the validity of moral ends firmly based on the constitution of being.[2]

Eric Voegelin imagines he can see a close connection between classical liberalism and Bolshevism: both, he thinks, imply the "permanent revolution," in that they attempt the impossible—changing the nature of man.[3] And so on, with other conservative authors.

It appeared to me that for once someone ought to call a conservative to account for his flamboyant and unsubstantiated claims regarding classical liberalism; for once, the canons of precise definition and relevant evidence, which

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[1] *The Conservative Mind* (Chicago: Regnery, 1953), pp. 89-90.

[2] *In Defense of Freedom* (Chicago: Regnery, 1962), pp. 1-2.

[3] "Der Liberalismus und seine Geschichte," in *Christentum und Liberalismus* (Munich: K. Zink, 1960), pp. 23-25.

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serious scholars in all disciplines apply, ought to be applied here, too. It seemed to me, furthermore, that Evans had presented us in his article with a startling example of these conservative defects, and that the article could profitably be examined from this point of view.

NOW TO DEAL WITH Evans' rebuttal. Is it true that I have confusedly interpreted his claims, besides being wrong on a number of factual points?

First comes the terminological question, less interesting than the others, but unavoidable, since here is where I am supposed to have decisively confused the issues.

What does Evans mean by "classical liberalism"? Does he mean what everyone else does—that is, in one description, the social philosophy whose best representatives were Tocqueville and Acton?[4] Does he mean that great intellectual and political movement of the eighteenth and nineteenth centuries, so vast and various that no particular philosophical pre-suppositions bind all of its adherents, but only their commitment to individual liberty—to private property, civil liberties, and parliamentary and constitutional government? If the reader considers classical treatments of the subject, say Ruggiero's *History of European Liberalism* or (on a more analytical level) Von Mises' *The Free and Prosperous Commonwealth,* he will see what is meant by classical liberalism when the world at large discusses the history of ideas.

Evans claims, on the contrary, however, that he was clearly and consistently using "classical liberalism" in an odd sense: he was using it to designate only the atheistic and agnostic classical liberals (what he wants to call the theistic classical liberals is not made clear—possibly he wants to refer to Bastiat and Adam Smith as "conservatives"). It seemed to me otherwise. In my article, I point out that Evans has a footnote to the effect that in his usage "libertarianism . . . signifies the chemically pure form of classical liberalism, with all of its metaphysical implications." Now, in the first place, it ought to be clear that this passage implies that libertarianism is one subspecies of classical liberalism (its "chemically pure form"), other subspecies of which, less chemically pure, do not share libertarianism's anti-religious position. This indicated to me that Evans, at least at this point, was using "classical liberal" in more or less its received meaning, and simply wanted to define "libertarian" in an unconventional way.

Then, in the text, Evans equates libertarian and classical liberal, stating: "The libertarian, or classical liberal, characteristically denies the existence of a God-centered moral order. . . ." Now this certainly *sounds* like a *description;* that is, it sounds as if Evans is accepting the usual definition of classical liberal, and saying that, while there may have been a few liberals who were religious, characteristically and as a rule they were not religious. If he were keeping to the definition in the footnote, the passage wouldn't make sense: it would then have to read, "libertarians *necessarily* and by *definition* deny the existence . . . ," etc.

If the reader still thinks it was unreasonable of me to suppose that Evans was using classical liberalism in its usual sense (or, at least, that its usual sense was one of those in which Evans was using the term), let him consider the following, from Evans' original article:

> While labelling someone a classical liberal is not necessarily an insult, it must be pointed out that today's conservatives, although opponents of statism, are generally not Manchesterians.

Doesn't this imply that Evans was taking the Manchesterians to be one school (the only school?) of classical liberalism? But how could this be, if he was exclusively using classical liberal to mean agnostic or atheistic classical liberals? Both leaders of the Manchester School, Cobden and Bright, were Christians.

Evans tries to trivialize this terminological point by speaking of varying "tastes" in noun substantives. But there is very good reason for preserving a

[4] H. J. Laski, as quoted in F. A. Hayek, *The Constitution of Liberty* (Chicago: University of Chicago Press, 1960), p. 530.

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modicum of consensus on the way terms are to be used. Imagine what trouble would be caused if each time anyone wrote on the history of ideas, he used terms like "liberal," "conservative," "socialist," "utopian," etc., in odd and unconventional ways. For one thing, intellectual history as an on-going enterprise would become impossible. It is at least equally important to keep to the same definitions of key terms in one and the same article.

LET US ASSUME, though, that Evans had made it clear in his article that in levelling his series of charges he had in mind only the non-religious classical liberals of the past and present: men like John Stuart Mill and Herbert Spencer, and, in our own day, most of the free enterprise economists whose names would come most readily to mind. Is it true that these men "allege human freedom as the single moral imperative"? Evans really does hold that they do, evidentally: An irritating premise of his, which comes out also in his rebuttal, is that a person who is not religious can have no ethical beliefs or concerns. Thus he refers to the religious classical liberals, "men who combine *both* ethical affirmation and concern for human freedom," as if an agnostic liberal never affirmed any ethical principles. Evans' position is that non-religious liberals did not and do not believe that anyone has a moral obligation to tell the truth, or to avoid malice, or to save another person's life even at no risk to oneself. Can this really be the case?

Well, I quoted in my critique a well-known passage from J. S. Mill's essay, *Utilitarianism,* part of which tells us that:

> In the golden rule of Jesus of Nazareth we read the complete spirit of the ethics of utility. To do as you would be done by, and to love your neighbor as yourself, constitute the ideal perfection of utilitarian morality.[5]

[5] *Utilitarianism, On Liberty and Representative Government* (New York: Dutton, 1950), p. 16.

Evans prefers in his rebuttal not to take cognizance of this point. Instead, declining to withdraw his claim, he attempts to show that it is true of Herbert Spencer. Even if this were true, it would prove nothing, since innumerable agnostic and atheistic liberals could be cited who do, indeed, believe that there are ethical imperatives beyond simple respect for the liberty of others. Yet far from being "quite obvious" that freedom for Spencer is the single moral imperative, it is quite obviously false. This is not the place to go into a detailed examination of Spencer's ethical system (I find Evans' exposition confusing); but this is what Spencer says:

> [There are] many actions which from hour to hour are gone through, now with an accompaniment of some pain to the actor and now bringing results that are partially painful to others, but which nevertheless are imperative. . . . Though the pains which the care of many children entail on a mother form a considerable set-off from the pleasures secured by them to her children and herself, yet the miseries immediate and remote which neglect would entail, so far exceed them that submission to such pains up to the limit of ability to bear them becomes morally imperative as being the least wrong.[6]

The point about natural law and Roman Catholicism is trivial and quickly disposed of. One of the things wrong with classical liberals, in Evans' view, is that they deny that there is any divine "moral order to which man should subordinate his will and reason." Of course, the existence of *any* moral law means that one should subordinate one's will to it: this isn't in question. What is at issue is just what Evans meant by the liberals' denial that reason ought to be subordinated to the moral law. If, as seemed likely, this meant that they denied that the moral law was unknowable

[6] H. Spencer, *The Data of Ethics* (New York: Burt, n. d.), p. 311. Spencer elsewhere in the same work (p. 28) states: "Lastly, we inferred that establishment of an associated state, both makes possible and requires a form of conduct such that life may be completed in each and in his offspring, *not only without preventing completion of it in others, but with furtherance of it in others.* . . ." Italics supplied.

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by reason and had to be accepted purely on faith, then I don't see why this should be considered especially atheistic; for the denial of the arbitrariness and irrationality of the moral law is precisely the position of the Catholic Church. Again, I don't understand Evans' exposition in his rebuttal on this point: neither his distinction between (in St. Thomas' view) the moral law being apprehensible by reason, but not validated by it, nor how Evans is using "sanction." The important point is that if one believes with St. Thomas and the Catholic Church[7] that the moral law can be discovered by reason, then there is nothing sinister or atheistic about the liberals' position. Furthermore, it is then possible for an agnostic to come to an appreciation of morality, without any personal religious faith. On this problem of the connection between morality and reason, Evans blinks the distinction among Christian churches, and seems to want to have Calvin legislating for Christendom.

I do not find that Evans' rebuttal illuminates to any great extent what he might have had in mind when he charged classical liberals with being "materialists," "pragmatists," and "relativists." We are given no definition of materialism, no evidence that classical liberals were and are "characteristically" materialists. Spencer doesn't appear to have been a materialist, *pace* Evans,[8] but what if he had been? Mill was a phenomenalist; that is, he thought that matter was nothing but the possibility of certain mental states[9] — rather the opposite of a materialist. What do these two examples prove about the characteristic position of classical liberalism?

Evans doesn't really meet my objection to his use of "pragmatism," either. He states that Bentham, the Mills, etc., were pragmatists long before Charles Peirce and William James (the founders of the school), because they believed in an instrumentalist theory of value. But the essence of pragmatism lies in its theories of meaning and truth, and the one sentence definition Evans is seeking is *not* that pragmatism holds *value* to be determined by "what works," but that it holds *truth* to be so determined,[10] i.e., the difference between: "this action is good," and "this statement about the properties of copper is true."

FINALLY, WE COME TO the modern-day conservative bugaboo, "relativism." Here, too, Evans, like other conservatives who write on the subject, still owes us a definition. I don't think the one he gives in his rebuttal — deducing "value criteria from secular and largely subjective phenomena" — is really adequate. For one thing, it is uncertain, on the basis of this, whether someone who holds a *fiat justicia, pereat mundus* natural law position, but with no supernatural elements, would fall into the category of "relativist"; if he would, it would be a fairly unserviceable definition. For another thing, the definition doesn't make "relativism" the opposite of Evans' "absolutism," which "holds values to exist independent of subjective apprehension." J. S. Mill's utilitarianism, for instance, would be both relativist and absolutist in Evans' definitions: relativist, because its criterion of good is whatever promotes human happiness, and thus it may be said to deduce its criterion from a secular phenomenon — human happiness; it would be absolutist, though, because it insists, for example, that although all the people of a country might *think* it good to undertake aggressive war, this would not make it a good thing: its goodness is "independent of the subjective apprehension" of the actors, and is to be tested by whether the action actually

[7] "For Aquinas . . . the human being does not receive the moral law simply as an imposition from above: he recognizes or can recognize its inherent rationality and binding force, and he promulgates it to himself." F. C. Copleston, *Aquinas* (Baltimore: Penguin, 1963), p. 214. On the position of the Catholic Church, see T. Corbishley, S. J., *Roman Catholicism* (London: Hutchin's University Library, 1950), p. 57.

[8] F. A. Lange, *The History of Materialism* (London: Routeledge and Kegan Paul, 1957), Vol. III, p. 190.

[9] L. Wood, "Recent Epistemological Schools," in V. Ferm, ed., *A History of Philosophical Systems* (New York: Philosophical Library, 1950), p. 531.

[10] B. Russell, *A History of Western Philosophy* (New York: Simon and Schuster, 1945), pp. 815-18.

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does promote human happiness and welfare.

There is nothing "Orwellian" in my suggestion that utilitarianism can be considered an "absolutist" ethic; by one definition commonly accepted among philosophers, it is so considered.[11] If Evans wants to deny that utilitarianism may be judged to be absolutist, if he wants to continue to maintain that liberals and libertarians were and are characteristically "relativists," let him provide acceptable definitions and then cite some evidence.

Incidentally, it seems interesting that conservatives typically don't spend just a bit more time explaining in a clear manner what they have in mind by terms such as "relativism" and "absolute values," considering that these make up such a large part of their stock-in-trade.

I think I have given good reason to believe that I was justified in my original critique of Evans' article. The question remains, however, why didn't I deal with the substantive issues, with Evans' thesis — why did I limit myself to discussing just his attack on classical liberalism?

FIRST OF ALL, WE MUST ask: Exactly what is Evans' thesis? Exactly what is the thing in the absence of which a free society cannot be maintained? Is it belief in the "Judeo-Christion" revelation, or a belief in a particular variety of Protestantism? In his rebuttal, Evans traces many of our troubles to the decline of the Protestant Ethic — this decline is supposed to make self-reliance less popular and the welfare state more tempting, and the liberals were, he alleges, foolish to suppose they could undermine the Protestant Ethic and not expect people to gravitate towards dependence on the state. But Max Weber's point was precisely that the Protestant Ethic was *not* characteristic of Roman Catholicism, or even of Lutheranism, but primarily of Calvinism and related sects.[12] Here the role of the doctrine of predestination was crucial, in Weber's statement. If it is the Protestant Ethic which is a necessary condition for the preservation of a free society, are we then committed to saying that a free society cannot be preserved without a general belief in predestination?

Let us assume that Evans' thesis is the one he explicitly states: "A regime of political freedom cannot long exist without the underpinning of religious and moral sentiment derived from Judaeo-Christian revelation." Why didn't I go on to discuss this? The answer is that, although I consider this an interesting and important question, Evans purely and simply presents not the slightest evidence for "his thesis."[13] We cannot consider vague references to the moral crisis of our time, plus the example of John Stuart Mill — overworked as these both are — to be evidence in any scientific sense. If someone wanted seriously to maintain that a free society cannot be preserved in the absence of a commitment on the part of the great majority of the people to Christian revelation, a number of questions would immediately arise. Here are a few:

(1) What were the real causes of the decline of liberalism, beginning around 1870? To what extent did Christianity itself contribute to this, in the form of the numerous Christian Socialist and Christian Social movements in Europe and America? To what extent was the decline of liberalism due to the decline of the authority of the science of economics, and to what degree was this, in turn, caused by the view, often supported by Christian moral sentiment, that economics was "inhuman" and "selfish" in its view of human nature?

(2) Assuming that a free society is only possible if people believe that it is called for by the Christian holy scriptures, how

[11] R. B. Brandt, *Ethical Theory* (Englewood Cliffs, N. J.: Prentice-Hall, 1959), p. 154.

[12] M. Weber, *The Protestant Ethic and the Spirit of Capitalism* (New York: Scribner's, 1958), pp. 73-74, 84-85, 110-17.

[13] Just as he presents no evidence — nor any reference to evidence elsewhere — for the statement in his rebuttal that the classical liberals "helped lay the ethical foundation for the rise of the total state they wanted to avoid."

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can such a belief be long sustained if, in fact, these writings *do not* call for a free society? Assume that at any given time everyone believes in capitalism because he thinks that it is entailed by revealed Christian doctrine; unless it really *is* so entailed, then this supposed iron-clad support for capitalism must be expected to crumble as people realize that the entailment does not exist. Now, why does Evans, and why do so many conservatives, suppose that free enterprise and limited government *are* called for by Christian doctrine? Most of the Christians who have lived, and most Christians today, would disagree with this interpretation. Examples are really superfluous: The whole history of intolerance and persecution, the opposition of most Christian churches to capitalism down to, in our own day, John XXIII's *Mater et Magistra* — all this indicates that most Christians have found their faith perfectly compatible with all kinds of infringements on liberty. If Evans could demonstrate that Christian doctrine calls for capitalism, it would represent a real landmark in the history of thought.

(3) Another difficulty that arises for anyone who wants to maintain that Christian revelation provides a much firmer basis for ethics (and thus for a free society) than any secular philosophy is able to propose, is the fact that very few people would be prepared to accept certain clear Biblical statements in this field. Who now agrees with Exodus 18:22 —"Thou shalt not suffer a witch to live." How many friends of freedom are completely comfortable with Romans 13:1-2— "The powers that be are ordained of God. Whosoever therefore resisteth the power, resisteth the ordinance of God: and they that resist shall receive to themselves damnation." How many people find that, on reflection, there is a great deal of practical good sense in: "Take no thought for your life, what ye shall eat, or what ye shall drink. . . . Take therefore no thought for the morrow: for the morrow shall take thought for the things of itself." (Matthew 6:25, 34) On what basis do we choose among the various ethical imperatives contained in the Bible, which we will take seriously and which not; which we shall interpret literally and which we shall reinterpret in some more convenient manner?

(4) Evans states, in his rebuttal: "If morality is the function of secular arithmetic or the adjustment of secular means to secular ends . . . then it is altogether possible that, somewhere along the line, freedom must give way to the calculus. . . ." Here we have another hidden assumption — that unlike non-supernatural ethical systems, Christianity presents us with an air-tight body of moral rules: it consists of the orders given by God to man, which are clearly expounded in various revelations and backed up by the very powerful sanctions available to the Divinity. This is, however, a very naive view, I think, and anyone holding it is obliged to acknowledge the existence of the following argument and attempt to answer it: Exactly what is it that God tells us in an unambiguous way concerning our ethical obligations? Are there any rules which we are commanded to follow, telling us what to do under given conditions in a manner much more precise than some ethic such as utilitarianism? If we turn to the Bible, we find a number of such rules given, such as: Thou shalt not kill, thou shalt not steal (sometimes taken as a divine rule governing the proper social attitude towards private property), etc. Now, if the religionist conservative claimed that "Thou shalt not kill" is an unconditional rule (at least in reference to human beings), I think I could understand in what sense Christian ethics is more absolutist than, say, utilitarianism; in what sense Christianity presents what Evans calls "fixed and objective values" which utilitarianism does not present. Utilitarianism, as far as I can see, proposes no such unconditional, absolute rules. Yet surely there are no conservative religionists who favor an *absolute, unconditional* acceptance of this rule, for that would make impermissable both American military action in Viet Nam and capital punishment. So in just what sense is the Biblical injunction against killing more absolutist than the utilitarian one?

I am not aware that any religionist conservative has really dealt with any of these questions, and certainly Evans has

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not. It is much easier to flog non-supernatural ethical systems for being vague and indeterminate, and consequently responsible for all kinds of catastrophes, always with the implication that one has himself a really solid ethic in reserve.

FINALLY, I SHOULD like to make the chief point implied in my attack on Evans' original article somewhat more explicit: the fact is that much too much passes muster in conservative writings that is nothing more than uninformed rhetoric. That almost all conservative publicists are guilty of this, at least sometimes, is scarcely the best kept secret on the Right. I for one am finally getting bored with the sophomoric misuse of technical philosophical terms; with sketchy outlines of the "course" of modern history; with constant attacks on the French Enlightenment, on human reason, and on the *hubris* of modern man; and with worldly-wise references to Original Sin and the absurdity of progress. Let conservative writers follow the example of present-day classical liberal economists, who adhere to the accepted rules of scholarly discussion in their confrontation with their leftist counterparts. The typical approach of the conservative cultural critics, on the other hand, since it is rhetorical and unanalytical, does not allow for progress being made towards the solution of the issues under discussion. If conservative publicists find the scholarly approach too tedious, they ought to recall that no one is *compelled* to write on intellectual history or philosophy.

—RALPH RAICO

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Anglican and Gallican Liberty

FRANCIS LIEBER

Francis Lieber, scholar and political writer, was born in Prussia in 1800, emigrated to America in 1827, and soon thereafter became an American citizen. His career was divided between teaching at the University of South Carolina and Columbia College, and such public services as the composition of legal rules to protect non-combatants and their property in time of war (his suggestions were adopted by Lincoln for the Union Army and subsequently embodied in the Hague Conventions of 1899 and 1907). His main energies, however, were devoted to a comprehensive statement of liberalism, the social philosophy which was his lifelong concern. The following selection, from his Miscellaneous Writings,[1] *is a characteristic example both of Lieber's liberal political thinking and his admiration for his adopted country.*

IN THE SPHERE of political freedom there arise, as in all spheres of unfettered action, different schools, to borrow a term from the province of philosophy and that of the arts. It is thus that we have in the province of political freedom an Anglican and Gallican school. The term Anglican has been adopted here for want of a better one. We stand in need of a term which designates characteristics peculiar to the Anglican race in Europe, here, and in other parts of the world. If they are not all peculiar to this race, they are at least characteristics which form very prominent marks of its politics.

It is by no means the object here to show the gradual development of modern liberty and of the Anglican characteristics, their causes, and the circumstances under which they developed themselves, but rather to point out in what at this moment consist the striking features of these two political schools. With this view, it may be stated at once, that Anglican liberty distinguishes itself above all by a decided tendency to fortify individual independence, and by a feeling of self-reliance. The higher the being stands in the scale of nature, the more d i s t i n c t is its individuality until it reaches in man its highest degree, and among men again we find the same principle prevailing. The higher, the more intellectual, and the more ethical the being is, the more prominent is also his own peculiar individuality. The same progress is observed in the scale of civil liberty. Individuality is almost annihilated in absolutism—whether this be of a monarchical or a democratic cast—while the highest degree of freedom (in the Anglican view of the subject) brings out the individuality of every one and the individual activity of each, as best it seems to him, in its freest play. Independence in the highest degree, compatible with safety and broad national guarantees of liberty, is the great aim of Anglican liberty, and self-reliance is the

[1] This text is taken from *Miscellaneous Writings of Francis Lieber*, Vol. II, *Contributions to Political Science* (Philadelphia: J. B. Lippincott, 1881). pp. 377-88. This essay appeared originally in a newspaper published at Columbia, South Carolina, June 7, 1849.

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chief source from which it draws its strength. At no period has the deplorable absorbing concentration of power which characterizes the political systems of the continent of Europe during the seventeenth and eighteenth centuries obtained a footing among the Anglican peoples, although it was several times strenuously attempted. All the maxims of the common law most dear to the people, and most frequently quoted with pride as distinguishing it favorably from the civil law, embody this manly feeling of individual independence.

Everywhere is liberty considered by the Anglican nation to consist, in a very high degree, in a proper limitation of public power. Anglican liberty may be said to consist, essentially, in a proper restriction of government, on the one hand, and a proper amount of power on the other, sufficient to prevent mutual interference with the personal independence among the people themselves, so that order and a law-abiding spirit becomes another of its distinctive features. No people of the past or present have ever made use of the right of association, even where it fully existed, equal to the vast and at times gigantic application of this right to great practical purposes of a social, as well as political, character among the English and Americans. Public interference is odious to them. Government, to them, is not considered the educator, leader, or organizer of society. On the contrary, in reading the many constitutions which this race has produced, and the object of which is to define the spheres of the various public powers and to fix the rights of the individual, we almost fancy to read over all of them the motto, "Hands off."

This tendency of seeking liberty, above all, in untrammelled action has produced among others the following great effects.

The untrammelled action or absence of public interference (which of course must in its nature be almost always of an executive character) has not been restricted to individuals, but as a matter of course the spirit has extended to institutions and whole branches of power, so that time was allowed to them to grow, to develop themselves, and to acquire their own independent being; consequently, we find the word *law* possesses a meaning very different from that which the corresponding words have even in their most comprehensive sense with other nations; we find a common law rooted deeper in the people than any enacted law or constitution; we find a parliamentary law (no *"reglement"*); we find the indispensable principle of the precedent of greater power than minister or crown, even though it be worn by a Stuart, or a Henry the Eighth.

Secondly, a consequence of the principle of self-reliance is that liberty is conceived far more essentially to consist in a great amount of important rights than in a direct share in the government. The latter is sought after as a security and guarantee for the former.

Thirdly, Anglican liberty consists in or produces the utmost variety, as all untrammelled life and unfettered individual actions necessarily do. Equality (if sought in aught else than in equality of freedom from interference, and if believed to consist in uniformity alone) is monotony, and becomes the opposite to life and action.

Fourthly, the Anglican race has mixed up subjects purely social with politics far less than any other race, and, it may be safely averred, has allowed itself to be less misled by phantoms, and adhered more to positive realities in the sphere of public life, than any other division of mankind.

EVERY GREAT PRINCIPLE or movement of mankind has its own characteristic fanaticism, caricature, or mischievous extravagance. This applies to all movements, religious, social, or political, and Anglican individualism leads, if carried beyond its proper line, to selfish isolation and heartless egotism. The fanaticism of Anglican individualism is Utilitarianism as it has been taught by some. But it must not be forgotten that we speak here of civil liberty alone. No American or Englishman has ever maintained that we can do without patriotism, without devotion to the public, and it is a striking fact, admitted by all, that nowhere is shown so much public spirit, during successive periods, as by the

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Anglican people, although it might have been supposed that their individualism would have led to the opposite. The reason is that Anglican liberty makes the people rely upon themselves, and not upon public power; they feel, therefore, that they ought to help each other and to depend upon their own united action, and not call for the aid of government at every step.

From a point of view, therefore, which belongs to Anglican liberty, the French device — Liberty, Equality, Fraternity, will appear in this light: Liberty is aspired to by all; it is the breath of conscious man. If equality means absence of *privilege*, unfounded upon political equivalents, it is comprehended within the term of liberty; if it mean, however, social uniformity, it is rather the characteristic of absolutism, and not of liberty. For if liberty means unrestrainedness, it implies variety. Bating the monarch, there exists nowhere in Europe or America a degree of equality equal to that in all Eastern despotisms, or that which existed in the worst period of Athens, where democratic absolutism was consistently carried out; where ultimately the principle of equality required the razing even of talent, fitness, and virtue, and the *lot* decided upon appointments. After the principle of equality had been established in such a manner, Aristotle described democratic liberty (or what we, according to modern terminology, would call democratic absolutism) as consisting in this: that every citizen is, in regular turn, ruling and ruled. Diversity is the law of all organic life, and despotism and freedom find their parallels in nature, in inorganic matter, and organic bodies. As to fraternity, it is the broad principle proclaimed by Christ; it is the divine principle of all social existence; it is one of the wells from which we shall draw, to irrigate our otherwise sterile life; it is like charity, like honesty, like forbearance, and to be true, ought to be infused into all our actions and measures, but it is no *right*, it is not *liberty;* nor does it necessarily indicate freedom. There is in some respects more political fraternity among Mohammedans than, unfortunately, among Christian people. Not that we put any slight value upon fraternity; Christians ought to have far more; but we merely mean to show that it is not necessarily connected with liberty. Fraternity exists often in the highest degree among the rudest tribes. That this device was adopted during the first French revolution was natural. It had a meaning in contradistinction to the utterly selfish and immoral state of things which had existed and which it was a settled purpose to destroy; but its resumption in the present third French revolution leads to misconceptions or rests on a confusion of ideas, which seems as great as if in America a political banner were raised with the motto, Liberty, Love of our Enemy, and Salvation; or Liberty, Production, and Daring. All these are excellent or sacred things, but used as distinctive political characteristics would either have no meaning or might easily be made to mean mischievous things.

QUITE DIFFERENT from Anglican is Gallican liberty. The history of England distinguishes itself from that of all the other nations of Europe by nothing more than by the fact that, in that country alone, the nobility assimilated itself at a very remote period with the people. As early as in the year 1215 the noblemen did not wholly forget the people. The plodding husbandman was included in the Magna Charta; and repeatedly afterwards we find the knights siding with the citizens. The nobility of all other countries, however, were and remained selfish, oppressive and rebellious barons. Louis XI and Richelieu greatly broke their power in France, and Louis XIV completed the work. No citizen-liberty having existed in that country, Louis found himself perfectly unlimited so soon as he had changed the baron into the servile courtier; and now a system of such absorbing centralization began that, when he died, he left France without institutions (if we take the term in the Anglican sense, meaning institutions with an independent and individual existence), as he left her without money and without morality in the leading classes. The absorbing centralization of power went on in all successive

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periods, and whatever changes of government have taken place, the process of centralization was only speeded on by it. The ball was ever rolling in that direction. The first French revolution, whatever benefit it otherwise produced, accelerated and perfected it much; Napoleon carried it still further, and a minister of the present provisional government, M. Ledru Rollin, lately declared, in one of his proclamations, that France should imitate the example of Paris, which he called the center and representative of French virtue, intelligence, action, and patriotism. How strange a similar declaration of an English minister, with reference to London, would sound in the ear of an Englishman, or of our President with reference to New York, or any state of ours![2]

Concentration of the most stringent kind existing, and it being neither disrelished nor suspected by the people, it is obvious that, coupled with the idea of liberty, in contradistinction to despotism, it can produce no other idea than equality—an equal change of "ruled and being ruler"; and since equality, with this political meaning, is a practical impossibility with a nation so vast as the French, we have the further consequence that, practically speaking, equality means in France always the exclusive sway of a certain class. He that seeks now to sway is the *Ouvrier,* and *Bourgeoisie* has actually become a name of shame or hatred, as the term *noblesse* had become in the first revolution.

Gallican liberty, then, is sought in the *government,* and, according to an Anglican point of view, it is looked for in a wrong place, where it cannot be found. Necessary consequences of the Gallican view are that the French look for the highest degree of political civilization in *organization,* that is, in the highest degree of interference by public power. The question whether this interference be despotism or liberty is decided solely by the fact *who* interferes, and for the benefit of which class the interference takes place, while according to Anglican views this interference would always be either absolutism or aristocracy, and the present dictatorship of the *ouvriers* would appear to us an uncompromising aristocracy of the *ouvriers.*

The universal acknowledgment of organization makes the Frenchmen look for every improvement at once to government. Self-reliance does not exist in detail. While the British race seeks for one of the great applications of liberty in free trade, the French call for organization of labor, and M. Louis Blanc has proposed a plan, accordingly, which would appear to us as insufferable tyranny, and annihilation of individuality. While we have seen, in the Anti-Corn-Law League, a mighty private association coping with the most powerful interest that ever existed in a legislature, the British land-owner, and ultimately forcing government to fall into its own ranks, we do not find a solitary club in Paris pursuing one detailed practical measure, but all discuss the best *organization,* and to the Minister of Justice, and of Worship, and to others whom previous "organization" had already created, a Minister of Labor, and even one of Progress has been added, if the papers have informed us correctly. In Anglican liberty the movement not only begins with the people, but also the practical carrying out. In France, liberty is expected to begin practically with government organization and to descend to the people.

[2] The most remarkable fact in history, so far as centralization is concerned, is probably the last French revolution (of 1848). A minority — but allow even a majority—of a single city changes a monarchy into a republic; the republic is telegraphed into the provinces and France is a republic, without any attempt at resistance, any show of adhesion to the former government, any struggle. If all France had been so thoroughly prepared for the republic (which we now know was not the case) that nothing more than the breathing of the name was necessary, the former government must long before have collapsed. If this was not the case, the so-called republic would not have been received so easily, were not the French accustomed to receive everything from Paris, fashions, pronunciations, and orders, and even now telegraphic despatches telling the prefect Monsieur so and so, that *Il n'y a plus de roi,* or some such thing. Is not the people in a very abject state where such things can occur? Is this not Russian? Does it not remind of the worst times of Rome? The French often, nay, almost universally, confound this submission to Paris with laudable patriotism. But this only shows the more the absorbing centralization which exits in France.

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This is so true, that a large number of the French (we believe it to be a minority, but it is the active and loud minority) seem to have wholly discarded the idea that liberty is the main object to be striven for, and call for a *social* reorganization. A very busy and widespread club at Paris has actually hoisted a banner on which the word Liberty is omitted, bearing the following device: Equality, Solidarity, Fraternity. Here, then, we have the caricature of French liberty, as we have in ultra-utilitarianism that of Anglican freedom. Equality and solidarity are necessary elements of all politics. Without solidarity no nation could be a nation, no state a state. Every one is obliged to bear with laws which he considers bad, or the consequences of a war which he condemns. It is the price we pay for living in a civil society; but if solidarity be elevated into a distinctive mark of a specific political or social system it is the death-blow to individualism, and a Spartan republic, destroying even the family, must be the consequence. Here, too, is to be found the reason of the striking phenomenon that at all periods the fanatics who have attempted the abolition of private property always made war against exclusive or individual marriage at the same time. Many communists have preached it, and many religious fanatics in the Middle Ages have attempted it.

The fact that Gallican liberty expects everything from *organization,* while Anglican liberty inclines to *development,* explains why we see in France so little improvement and expansion of institutions; but when improvement is attempted, a total abolition of the preceding state of things—a beginning *ab ovo* —a re-discussion of the first elementary principles.

ANGLICAN LIBERTY produces variety, as was stated before, and demands absence of unnecessary restraint; Gallican liberty demands uniformity and even uniforms, so odious to Americans. A proclamation of the provisional government, dated April 30, 1849, actually begins with the words: "Considering that the principal of equality implies uniformity of costume for the citizens called to the same functions," etc., prescribing a costume—coat, waistcoat, and pantaloons, to the members of the national assembly—that assembly which, according to the expression of the provisional government itself, is the highest representative of national sovereignty that has ever assembled, and into whose hands that same provisional government will lay down its power. Nothing can show more distinctly the difference between Anglican and Gallican liberty than that this order was possible.

In England and America, the principle of liberty dictates that all that can be done by private enterprise ought to be left to it, and that the people ought to enjoy the fruits of competition in the highest possible degree. In France, on the other hand, the provisional government made arrangements to buy up all the railways so soon as the king had been expelled.

All political changes, according to Anglican liberty, are intended more efficiently to protect the changes which society has worked for itself; according to Gallican liberty, the great changes are intended to be, not political, but social, organized by government: that is, according to Anglican liberty, forced upon society by the successful party, which, nevertheless, may be a very small minority owing to the peculiar power which, in the great system of concentration, Paris exercises over France, and which all movable masses exercise over populous cities—an influence considered salutary according to Gallican views of liberty, and disastrous according to Anglican.

THE OBJECT OF this paper has been to show the difference of the two schools, and it would be foreign to the subject to dwell upon the generous enthusiasm which pervades at this moment large parts of the French people, and, coupled as it is with the fearful reminiscences of former days, has produced some very remarkable effects; but enthusiasm cannot last, and, if it could, it cannot become a substitute for individualism, an indispensable element of our ethical na-

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ture. Enthusiasm is a necessary element of all great actions of individuals as well as masses, but he who founds upon it plans of a permanent state of things, whether in worship or politics, deprives his system of durability. Nothing can insure principles against an early withering but institutions. No ruler, however popular or brilliant, no period, however glorious, and no enthusiasm, however generous, can produce lasting good if they do not lead first of all to the foundation of expansive institutions. Nations must neither depend upon popular rulers, nor trust their own enthusiasm. If they do, everything is frail and evanescent, and the continuity of the state, without which there is no law, order, strength, or greatness, is rendered impossible.

This remark leads us to the last observation we mean to make upon the difference of Anglican and Gallican liberty. The Anglican race is a decidedly institution-loving and institution-building race, as the Romans were, who built up the civil law. They are conservative as well as progressive, and believe that conservatism is as necessary an element as progression. The fanaticism of conservatism is a Chinese idolatry of the past and the old. The French, on the other hand, as they appear, at least in modern times, are philosophizing, often brilliant, organizers, and resemble in this more the Greeks, who built up no law but whose philosophers proposed invented governments. The fanaticism of this disposition is a restless re-beginning at every step and denial of the necessity of continuous progress.

It must have appeared to the reader that the writer of this paper is an advocate and lover of the principles of Anglican liberty; that he believes the French are mistaking democratic absolutism for democratic liberty; that the whole Continent will have to pass through long periods of ardent struggle before it can rid itself of the consequences of the unhallowed centralization which absolute princes in their blindness mistook for power and fastened upon the people; that he is a devoted friend to independence and the liberty of the individual, which, in his opinion, need be as little connected with selfishness as Christianity is, although this religion, above all others, throws man upon his individual responsibility, thus raising him immeasurably; that, however dazzling the effects of democratic absolutism occasionally may be, it is still not freedom, which, like dew, nourishes every blade in its own individuality, and thus produces the great combined phenomenon of living nature; and that he would infinitely prefer a life in one of our loneliest log-houses to a barrack-residence of absolute equality, stifling his own individuality and that of every one of his fellow-citizens, however brilliant that barrack might be furnished.[3] But whether these are the views of the writer or not, is of little importance. The truth remains the same, that the difference pointed out by him exists between the two modes of liberty, that they differ widely, and that it behooves every sincere friend of liberty to reflect maturely on the subject and to come to clear results; especially on the European continent, where liberty is in a nascent state, and is of course exposed to be seriously injured in the tender age of her infancy; while a closer geographical connection with France often leads to the adoption of measures and views peculiar to that country, when no intrinsic reason for doing so exists. The European continental countries have had their periods of absorbing and life-destroying centralization. The principles of our liberty, therefore, are peculiarly necessary to the people of the European continent. Many of them seem to fall into the same unfortunate delusion of expecting everything from *organization* by public power.

[3] The writer is no admirer of the feudal ages. He has repeatedly given views of that period, the essential principles of which with its graduated allegiance are wholly unfit for our nobler freedom. Whenever he has spoken of individual freedom in this paper, he has meant individual independence within *nationalized* societies, under the protection of broad, wide, organic, pervading civil liberty—the very opposite to mediaeval spitefulness, arrogation, lawlessness, unnational and unsocial liberty.

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The Uneasy Case for State Education

E. G. WEST

This article has been adapted by the author from his recent book Education and the State, *published in London by the Institute of Economic Affairs.*

THE CASE FOR substantial government intervention in primary education is normally examined by political economists in the context of two principles: "state protection" and "neighborhood effects." According to the first, if it is generally agreed that the state exists basically to give protection to its members, it must have special obligations to children since they are least able to protect themselves on their own. According to the second principle, the way I choose to act often has serious spillover effects upon my neighbors; and similarly the actions of my neighbors, taken individually, can substantially affect me. The choice of any one individual to educate, or not to educate, his children is shown to be a particular case in point. Even if all individuals choose voluntarily to purchase education they may still "underinvest" from the point of view of society as a whole. This being so there is again said to be a strong presumption in favor of government intervention.

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The first part of this article attempts to examine the "protection principle" in more than usual detail. The second part will raise questions which are not normally raised about the empirical foundation for common assumptions about the "neighborhood effects" of education.

WHATEVER THE MEANING of laissez faire, the most ardent of its nineteenth century English supporters rarely argued that it should operate outside the boundaries of a proper legal framework. Within this framework they were prepared to make many exceptions to their general principle of freedom of contract and their special reservation for children was a prominent example of this attitude. However much they disliked overinterfering governments, they believed that some element of governing was necessary. But what was the true duty of government? The answer of one of the classical economists, Nassau Senior, disciple of Bentham and friend of John Stuart Mill, was quite clear:

> I detest paternal despotisms which try to supply their subjects with the self-regarding virtues, to make men by law sober, or frugal, or orthodox. I hold that the main, almost sole, duty of Government is to give protection. Protection to all, to children as well as to adults, to those who cannot protect themselves as well as those who can.[1]

[1] *Suggestions on Popular Education* (London: J. Murray, 1861), p. 6.

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Senior went on to remind his readers that children were more defenseless than others. In view of this the state had extra protective obligations towards them and in particular there was a strong presumption in favor of state intervention in education. This view, which seems to have been readily accepted by liberal economists ever since,[2] will now be examined in more detail in order to gather its precise implications.

A MOMENT'S REFLECTION will show that it is much easier to state the "protection of minors" principle than to draw practical policy conclusions from it. If it is agreed that the state should be responsible for seeing that children are protected, the question arises: whom should it appoint to carry out this duty in practice? The first obvious point to clear up before deciding this issue is for the state to ascertain from its members how important a role they want the family to play. If they aim at giving the family a central place, then the question of protecting infants cannot be settled in isolation of this policy, for it establishes a presumption in favor of delegating the duty of child protection first and foremost to the parents and only withdrawing this arrangement when special circumstances require it. For these reasons the following remarks of John Stuart Mill, which seem to have had widespread influence on this subject, were too evasive and too legalistic:

> In this case [education] the foundation of the *laissez-faire* principle breaks down entirely. The person most interested is not the best judge of the matter, nor a competent judge at all. Insane persons are everywhere regarded as proper objects of the care of the state. In the case of children and young persons, it is common to say, that though they cannot judge for themselves, they have their parents or other relatives to judge for them. But this removes the question into a different category; making it no longer a question whether the government should interfere with individuals in the direction of their own conduct and interests, but whether it should leave absolutely in their power the conduct and interests of somebody else.[3]

Few would disagree with Mill's general sentiments. If we do not tolerate cruelty to animals still less should we allow the possibility of continued cruelty to children by granting *absolute* power over them to any single person. But Mill was mistaken in assuming that the common argument, that parents and relatives could judge for their children, was a claim for *absolute* power. What most people envisage is something in the nature of a *fiduciary* power, to be removed in cases where abuse can be shown.

Whatever the true interpretation of his statement, Mill's anxiety to put this question into a different category did not make it any less important or less urgently in need of an answer: for the state is not a disembodied entity; it has to work through individuals to whom it prescribes certain powers. Now the function of supervising a child is such a personal and delicate matter that it is most important to visualize it in the form of a competition for influence between one individual, the parent, who by nature is closer to the child and therefore has better opportunity for gaining knowledge of its best interests, and another individual, appointed by the state, who has the advantage of some presumed expertise in protecting children. When the problem is expressed in this way the question of *absolute* power is beside the point. Certainly the difficulty is not one which can be solved easily by any universal or dogmatic ruling. Accordingly, the following analysis is not intended to stake an unconditional claim for any of the parties concerned, but is merely an attempt to examine the issues objectively. Insofar as I am critical of the ability of the "protection" argument to justify universal state schooling, it must be emphasized that my criticism is not to the prejudice of the "neighborhood effects" argument for this system.

[2] See, for instance, Milton Friedman, *Capitalism and Freedom* (Chicago: University of Chicago Press, 1962), p. 86.

[3] *Principles of Political Economy* (London: Longmans, 1915), p. 957.

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BEFORE WE CAN CHOOSE those individuals deemed to be best able to protect a child, we have to solve the even more difficult task of defining the danger against which we are trying to protect it. Even state action against physical cruelty is not always simple to administer since the criterion is rarely a matter of unanimous agreement. But at least where physical injury has resulted in permanent damage to an individual, then the evidence is usually so obvious that the case for state protection against further assault is clear enough. In education, on the other hand, the argument is for protection not against physical injury but against ignorance. Here it is often more difficult to see in what respect any faculties can be said to be permanently injured, either in effect or in intention. When, for instance, the head of a temporarily distressed family sees his five- and six-year-old children remaining ignorant of reading and writing, we cannot say that their faculties are injured in the same sense as in the case of physical brutality. In this instance, the faculties of learning need not in any way be permanently damaged; it is quite possible for them to remain intact to be used later. If the state does decide to intervene in such cases, therefore, it cannot be on the grounds of the same sort of protection as that directed against physical aggression of any kind; rather is it likely to be based on the widely accepted principle of government relief of poverty. This initial clarification seems necessary if we wish to avoid using the term "protection" with its more usual connotation.

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But there is a much more stubborn difficulty. When we now speak of protection against ignorance, we have to ask: ignorance of what? A person may be most ignorant of one thing but quite expert at another. Too hasty attempts to prescribe learning priorities can lead to results which not only endanger spontaneity and individuality but which can involve fundamental contradictions in any society which professes to encourage and support the ideal of liberty. Confusion on this subject often arises from a dogmatic insistence that the relevant ignorance is necessarily ignorance of what is taught in schools between statutorily prescribed ages. Schooling is only one instrument in the removal of ignorance; if other means are being used, the need for protection may well be superfluous. There are additional sources of learning in real life: the parent, the family, its friends, the church, books, television, radio, newspapers, correspondence courses, etc., "on the job training," and personal experience. J. S. Mill himself can be quoted in this respect:

> Even if the government could comprehend within itself, in each department, all the most eminent intellectual capacity and active talent of the nation, it would not be the less desirable that the conduct of a large portion of the affairs of the society should be left in the hands of the persons immediately interested in them. The business of life is an essential part of the practical education of a people; without which, book and school instruction, thought most necessary and salutary, does not suffice to qualify them for conduct, and for the adaptation of means to ends. Instruction is only one of the desiderata of mental improvement; another, almost as indispensable, is a vigorous exercise of the active energies; labor, contrivance, judgment, self-control: and the natural stimulus to these is the difficulties of life.[4]

The best means by which individuals are likely to "protect" themselves or their children from "ignorance" should therefore be open to constant comparative appraisal. That a parent, for instance, wishes to take his child away from school at an early age does not necessarily signify that he is negligent. Insofar as the school has become less efficient than other means of education, the parent himself may be acting from motives of protection and be making the same kind of shrewd comparative assessment that he makes before transferring his buying from one source of his child's food or clothing supply to another. Again, to assume that the education given in a school is always and under all circumstances to be preferred to alternative types of education is probably to assume also that all schools and home environments are homogeneous. This is by no

[4] *Ibid.*, p. 948.

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means self-evident—especially in a changing society. It is interesting a recall that J. S. Mill himself was deliberately kept at home throughout his childhood by a father who was strenuously motivated by protective impulses. His father, James Mill, indeed kept his son away from school, "lest the habit of work should be broken and a taste for idleness acquired."[5] It is quite true that James Mill has been the subject of severe criticism from subsequent state educationists on the ground that he was too forceful a task-master. The question is, however, whether a state school could have produced a "better" John Stuart Mill. Such questions, of course, give rise to all sorts of speculations, but no apology is offered for asking them, since, as I hope to show, they lie at the root of the problem I am discussing.

THE "PROTECTION OF minors" argument has in the past been used to support pressure not merely to educate a *minority* of neglected children but also to establish *universal* schooling whereby *every* child is provided for by state schools. There are two major difficulties in the way of our accepting such reasoning, the first political and the second economic. On the political difficulty, it must first be observed that in order to justify a vast and comprehensive system comprising thousands of new state schools one must establish that such provision is needed to fill an obviously widespread deficiency and that the *majority* of parents and relatives are either negligent or ignorant. Now if this is the contention, it must imply either widespread schizophrenia or self-abnegation, for it envisages an electorate which virtually condemns most parents and relatives for being ignorant or negligent about their children when that same electorate consists to a large extent of the parents and relatives themselves. Otherwise, the question immediately arises of why, if such ignorance and negligence is so serious, should we presume that it will not equally express itself at the ballot box and with equally "unfortunate" results when the parents and relatives choose their representatives?

The extent of this presumed schizophrenia could best be checked by a survey among parents to ask their intentions if given hypothetical refunds of indirect and direct taxes in the form either of money vouchers spendable only on education in lieu of "free" state education or of income tax allowances. The only statistical survey that has attempted to elicit answers to this question suggests that negligence would be far from typical.[6] Alternatively we can make an historical investigation to discover parental behavior before the inception of state education, bearing in mind that such state intervention had to be supported by increased tax revenues which might otherwise have been spent voluntarily on education. I think it can be shown from historical evidence that nineteenth century parental behavior was much more responsible than is commonly supposed.[7]

The second major difficulty in the way of accepting the "protection" argument to justify a universal state school system is an economic one. Nowhere does it seem to have been shown why other forms of state intervention could not achieve the intended result of state protection more effectively and with less cost than the present system of state schools (which amounts virtually to a system of *nationalized* schools). Much as John Stuart Mill wanted the protection of children, even he did not in the end prescribe compulsory state schools, nor even compulsory private schooling, but only compulsory *education*. Accordingly he held that the state should be interested not merely in the number of years of schooling but in checking the results of education whatever its sources, and he contended that an examination system was all that was necessary. If a young

[5] J. S. Mill, *Autobiography* (New York: Holt, 1873), p. 36.

[6] See *Choice in Welfare, First Report* (London: Institute of Economic Affairs, 1963), Part III.

[7] See E. G. West, *Education and the State* (London: Institute of Economic Affairs, 1965), chaps. ix, x, and xi. The English government did not make education compulsory in the nineteenth century until most parents were already sending their children to school voluntarily. The same can be said of the State governments in the United States.

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person failed to achieve a certain standard, then extra education would be prescribed at the parents' expense. Another sanction which Mill also entertained was to make the right to vote conditional on some minimum degree of education.

Under Mill's scheme, if it were operating today, it is conceivable that some children would attempt to attain the necessary standards by much more dependence on parental instruction,[8] correspondence courses, evening classes, local libraries, etc. These in turn would be measured against particular services offered by the private schools whose relative efficiency would be measured by parents and their children in terms of the size of their classes, for instance, or the qualifications of their staff and the personal attention they gave the children.[9] There are examples of this kind of minimum state intervention in other spheres. Thus although the state insists on the acquisition of a minimum competence in driving before allowing persons to take their vehicles on the roads, it has so far found it unnecessary to prescribe the particular way in which persons should acquire the knowledge and the skill, or to nationalize the driving schools and supply training "free" by raising taxes on all. Again, protection against the supply of adulterated food to children (or to anybody else) is effected simply by a system of inspection, reinforced by regulations, breaches of which are punishable by the law.

THE CASE OF FOOD IS interesting. Protection of a child against starvation or malnutrition is in the same category of importance as protection against ignorance. It is difficult to envisage, however, that any government, in its anxiety to see that children have minimum standards of food and clothing, would pass laws for compulsory and universal eating, or that it should entertain measures which lead to increased taxes in order to provide children's food "free" at local government kitchens or stores. It is still more difficult to imagine that most people would unquestioningly accept this system, especially where it had developed to the stage that for "administrative reasons" parents were allocated those stores which happened to be nearest their homes; or that any complaint or special desire to change their pre-selected stores should be dealt with by special and quasi-judicial inquiry after a formal appointment with the local "Child Food Officer" or, failing this, by pressure upon their respective representatives on the local "Child Food Board" or upon their Congressman. Yet strange as such hypothetical measures may appear when applied to the provision of food and clothing, they are nevertheless typical of English and American state education as it has evolved by historical accident or administrative expediency.

Presumably it is recognized that the ability in a free market to change one's food market when it threatens to become, or has become, inefficient is an effective instrument whereby parents can protect their children from inferior service in a prompt and effective manner. If this is so, then one should expect that the same arguments of protection would in this respect point in the direction not of a state school system where it is normally difficult to change one's "supplier" but in the direction of a free market where it is not. In this sense one must question John Stuart Mill's assertion that in the case of education the principal of laissez faire breaks down entirely; for if by laissez faire he meant

[8] In England and Wales there are 100,000 qualified women teachers at home compared with 160,000 teaching in schools. It is obvious that there are thousands of parents who are qualified, even in this formal sense, to teach in their own homes. Under Mill's system it is doubtful whether all this educational capital would be as underused as it is today. Since under his scheme the state would not have involved itself in the heavy taxation now needed to finance "free" schools, average incomes after taxes would be much higher. These added incomes would, for instance, enable many married teachers quietly to buy the help of auxiliaries in the form of domestic help and/or labor-saving devices to allow them time to teach their own five- or six-year-olds at home. Today it is just conceivable that the government could allow tax rebates for this purpose, but the administrative and political obstacles are formidable.

[9] Bearing in mind that everybody would be more able to afford tuition-charging schools to the extent that they would be asked to pay less indirect taxation (which nobody now escapes) than a state "free" school system makes necessary.

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(as he seems to have meant) a free market system, then our reasoning suggests on the contrary that this is a technique which with some qualifications is admirably suited to protection of all kinds and not least the "protection of minors."

So much for the analysis of the basic issues in the "protection" thesis. The conclusion is that if there is a logical case for a *universal state school system*, as distinct from marginal intervention to meet special cases, we must look elsewhere than the protection principle.

THE ABSENCE OF A justification for state intervention on the grounds of the "protection principle," brings us to the second line of reasoning, which is widely believed to give still stronger support for such intervention. As previously indicated, this belongs to what is known as the "neighborhood effects" argument; a brief general account of its present place in economics may be helpful prior to the particular application of it to education.[10]

Roughly speaking, the "neighborhood effects" argument stems from the common observation that "no man is an island." Many of his actions intentionally or unintentionally affect other people. Where these spillover effects are very pronounced, and do not show any signs of ever being organized or brought under control by the market, one's normal reaction is to explore the possibility of government intervention. The most obvious instance of the resort to government is seen in the establishment of a state system of law and order to curb and to make socially accountable individual acts of aggression. Here, indeed, we have the basic *raison d'être* of the state in the first place. Beyond personally aggressive private actions, however, there are other particular "neighborhood effects" which are also identified and often listed in a descending order of seriousness or scope. Several of these are also commonly claimed to warrant state intervention. The most frequently quoted example in economics is the firm whose factory chimneys offend the neighborhood with smoke and thereby cause people outside the factory to spend extra amounts on laundries, bronchitis cures, etc. Another alleged instance is the injury to "local amenities" caused by the "unfortunate" construction of a new house by a private speculative builder. Again there is the individual motorist who parks his car to the detriment of other road users. Campaigns to make socially accountable those responsible for road traffic and aircraft noises or exhaust fumes also belong in the same category of "neighborhood effects." All of them are cited as cases where the costs taken into account by the individual in the market are unlikely to include any element of what are called *social* costs.

One must observe already that although most people react to such situations by readily calling upon government to put these things right, they do not immediately see how complicated is their request. For one thing, if they examine more carefully the above examples of social costs they will see that they are not exclusively a consequence of private action. The noise from publicly-operated airways, buses, and trains, for instance, has its ultimate sanction not in private action but in public legislation, that is, in government itself. Nationalized chimneys give off smoke no less than private ones. Public gasworks can spoil amenities while offensive smells can come from publicly operated sewage works.

A further complication is that social costs can be negative as well as positive; that is, some spillover effects may be unintentionally *beneficial* to the neighborhood. Thus a farmer who drains his own land may improve that of the neighboring farm, even though he cannot charge for benefits rendered. Still more complex are the many instances where

[10] For the application of the neighborhood effects argument to education in England, see the *Report of the Committee on Higher Education* (London: HMSO, 1963), I, chap. i, and Appendix IV, Part III. See also *15 to 18 Report of the Central Advisory Council for Education* [Crowther Report] (London: HMSO, 1963), chap. vi. For further modern critical treatment of the general argument, see J. M. Buchanan, "Politics, Policy and the Pigovian Margins," *Economica*, XXIX (Feb. 1962), 28; R. H. Coase, "The Problem of Social Cost," *Journal of Law and Economics*, III (Oct. 1960), 1-44; and R. Turvey, "On Divergence between Social Cost and Private Cost," *Economica*, XXX (Aug. 1963), 309-13.

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both positive and negative social costs are produced by the same agent. An example of this is where a new industrial plant gives off smoke (detrimentally) but also reduces unemployment in the same neighborhood (beneficially). Again the owner of the plant could be the central or local government as well as a private company.

It seems to have been widely believed at one time that the moment that one had pointed out a privately originating "neighborhood effect," such as that of the smoke-laden atmosphere, actual intervention by the state was adequately justified. This, however, is not so. The identification of a "neighborhood effect" is only a *necessary* but not a *sufficient* condition for intervention. There are many serious offsetting considerations, the most important being that the task of measuring the chain reaction of costs and benefits is often insuperable. The administrative costs of intervention alone may be so high as to exceed the net benefits which such action sought to secure, even if they could be measured.[11] Furthermore, it is likely that a particular mode of state intervention to meet a privately originating "neighborhood effect" may itself incur a second (publicly originating) "neighborhood effect" which has still more serious consequences than the first. For instance, suppose that the government responds to the smoke pollution of a factory by placing a special local tax upon the offending firm. The resulting increase in relative costs of production may so discourage the expansion of the same firm as to encourage it to invest its surplus funds elsewhere. The result may be that the firm's decision is now the cause of another "neighborhood effect," not smoke pollution this time but the more serious problem of unemployment.[12]

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[11] Expressed more formally: the persistence of such "externalities" as smoking chimneys may be quite consistent with optimal allocation of resources since the costs of using the market and/or government agencies to correct them may be larger than the potential gain.

[12] Another aspect requiring deeper analysis: the larger the influx of new residents to the area, the more harmful the effects of the smoke and the higher the tax necessary. But this increasing tax is itself *an increasing harm to the firm*, thus encouraging it to move or expand elsewhere. Since each new resident is not aware of the harm he is imposing on the firm and its employees, he is causing an adverse neighborhood effect; and one which is not counteracted by government intervention, but indeed has its origins in such intervention. This is the argument of R. H. Coase, *loc. cit.*

How then does the "neighborhood effects" analysis apply to education? Political economists usually have two particular instances in mind. The first is expressed in their contention that the *social* benefits of education are not confined to the "educatee" but spread to society as a whole, most noticeably in the form of reduced crime and more "social cohesion." This can be expressed negatively: The private actions of an uneducated person may have unfortunate consequences for others in society. The idea seems to be, for instance, that just as the government can do something about "anti-social" smoke (e.g., by taxation) it can do something about "anti-social" conduct (e.g., by education). The second general example is the idea that education is an investment whose benefits also spill over to the *economic* advantage of society as a whole. There is nothing in this argument so far to justify government provision of schools. If the government were satisfied that neighborhood effects were substantial, it could increase the quantity of education by a mixture of subsidies, vouchers, and compulsory legislation. But what is the evidence for neighborhood effects? Are economists' assumptions always well grounded?

CONSIDER FIRST THE familiar proposition that state provision of education will successfully meet the "neighborhood effect" of crime. It will be helpful first to give a few quotations to illustrate the widespread influence of the idea both in the nineteenth century and today.

In 1847 T. B. Macaulay proclaimed in Parliament:

> I say that all are agreed that it is the sacred duty of every government to take effectual measures for securing the persons and property of the community; and that the government which neglects that duty is unfit for

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> its situation. This being once admitted, I ask, can it be denied that the education of the common people is the most effectual means of protecting persons and property?[13]

In the previous year W. T. Thornton had typically expressed the prescription of the Utilitarians:

> No one now denies that proper schools for the lower orders of people ought to be founded and maintained at the cost of the state. The expense no doubt would be considerable, but it would scarcely be so great as that already incurred for prisons, hulks, and convict ships; and it is certainly better economy to spend money in training up people to conduct themselves properly, than in punishing them for their misdeeds.[14]

Such Utilitarian calculation of the crime-reducing potentialities of formal education is still in evidence among responsible authorities today. Thus, referring to the "neighborhood effects" of education, the Robbins Report on Higher Education (1963) said:

> There are, of course, also important social and political benefits of education which accrue to the populace as a whole—a better informed electorate, more culturally alive neighborhoods, a healthier and *less crime-prone population*, and so on. What is not always recognized is that these social and political consequences may in turn have significant economic effects — the efficiency with which goods are exchanged is obviously enhanced by general literacy, *to the extent that education reduces crime* (even if only by keeping children off the streets during the day) the country can shift resources that would have had to be used for the police function to other ends, and so on.[15]

The Robbins Report makes this statement before freely admitting that the evidence is still not sufficient to make it anything more than an inspired hunch. The Crowther Report of 1959 and the Newsom Report of 1963, referring to the education of persons between fifteen and eighteen years (which include the most crime-prone ages), although much more hesitant on the matter, nevertheless, as I shall show in more detail below, favored still more education in the current twentieth century campaign against delinquency and crime.

IN THE LIGHT OF THE "neighborhood effects" argument examined in the preceding paragraphs, what can be made of its application to education? It is important to remember the complications; not only must the "neighborhood effect" be first identified in a meaningful way, but also the possible side-effects of the proposed government intervention itself should all be examined before such intervention is fully justified. How far then, first of all, has the particular "neighborhood effect" relationship between education and crime been reasonably established in practice? In other words, what evidence have we to show that the belief in state education as a general insurance against crime is anything more than dogma?

In answering such questions the early economists were inclined to rely upon crude statistics. Because the latter were presented as showing an inverse relationship between crime and education (usually measured by the degrees of schooling) the general inference was that ignorance (or the deprival of schooling) was a major cause of crime. To the extent that poverty was connected with ignorance and undesirable habits, it too was thought to be an important contributory factor. In view of this kind of reasoning it would be intriguing to know the reaction of these early commentators to present-day statistical evidence, for this shows that crime has increased at the same time as state education has been growing. Certainly this does not deny that crime could have grown equally or even more in the absence of state education; but scientific objectivity demands that all things should be suspect, especially where there is a positive correlation. One can at least speculate, judging by their weakness for such crude statistical inferences on this sub-

[13] House of Commons, *Hansard*, April 19, 1847.
[14] W. T. Thornton, *Over Population and Its Remedy* (London: Longman, 1846), p. 379.
[15] *Report of the Committee on Higher Education* (London: HMSO, 1963), Cmnd. 2154, Appendix IV, Part III, Para. 54. Italics supplied.

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ject, that the early economists would be tempted to point to the possibility that our *state* education, as distinct from their nineteenth century *parochial* education, was a predisposing cause of crime!

Today indeed there is at least a growing scepticism about the potentialities of state education as a crime reducer. Thus *The Times Educational Supplement* in 1963 declared:

> It is strange that as education spreads and poverty decreases, juvenile crime should steadily rise.[16]

Similarly, the idea that poverty is a major cause of crime is not so confidently held. Indeed some social scientists conclude from the evidence that the idea has no firm basis. Lady Wootton writes:

> . . . it is a conclusion which would, I think, have surprised our grandfathers. The converse was implicit — and sometimes explicit — in the thought of not so many generations ago; as it is implicit also in the thought of those who express disappointment that the coming of a "welfare state," which they believe (though mistakenly) to have banished poverty, has not also greatly reduced the criminal statistics.[17]

The most energetic nineteenth century advocates of state education would no doubt have been also perplexed by the fact that the same welfare state which has failed to reduce crime is one which also includes an extensive education system financed by public funds of unprecedented magnitude.

Today, of course, we would claim to be much more aware of the complexity of crime and its causes. Certainly much more sophisticated reasoning surrounds the subject and it has been established in particular that a proportion of convicted persons is suffering from mental disorders which, it is claimed, need psychiatric treatment. Many other possibly conducive factors are still being investigated and these include divorce, broken homes, the persistence of crime in some families, poor church attendance, mothers' employment outside the home, health, and type of employment. Meanwhile an ordinary person may be forgiven the thought that highly organized crimes today call for such a degree of skill and intelligence that education can only serve to be a complementary rather than a competitive factor. The cleverer the criminal the more effective the crime. But it is interesting to observe that so far English social scientists have not even yet reported any very clear correlation between education and crime. Thus in 1958 Lord Pakenham published the results of research into the causes of crime (financed by the Nuffield Foundation), which included the following observation:

> I do not think, however, that the distinguished experts, including the representatives of the National Union of Teachers who gave evidence before us, would claim that, up to the present, much progress has been made in connecting education and crime.[18]

Insofar as people today still press for more education to reduce crime they usually mean a lengthening of the school life, i.e., a rise in the school-leaving age. In this connection we touch upon a piece of evidence which English educationists have found particularly perplexing. The Crowther Committee (1959) discovered the fact that the last year of compulsory education was also the heaviest year for juvenile delinquency and that the tendency to crime during school years was reversed when a boy went to work. Not only was this a long-standing phenomenon but also when in 1947 the school-leaving age was raised from fourteen to fifteen the most troublesome age group moved up from the thirteen-year-olds to the fourteen-year-olds.[19]

HOW SHOULD AN economist treat such information within the general framework of the "neighborhood effect"

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[16] September 1963. Mr. William Singer, President of the Ulster Teachers' Union, told his annual conference on April 21, 1965: "There is a growing body of opinion which believes that our educational system must bear its share of responsibility for many of the problems of behavior, which show themselves in juvenile delinquency and vandalism."

[17] Barbara Wootton, *Social Science and Social Pathology* (London: Allen and Unwin, 1959), p. 80.

[18] *Causes of Crime* (London: Weidenfeld and Nicholson, 1958).

[19] Crowther Report, *op. cit.*, Para. 63.

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analysis? It seems reasonable at least for him to conclude that the popular belief, as quoted for instance from the Robbins Report that state education makes the public less crime prone, is unsupported by the available evidence. Beyond this he could argue, but with less certainty, that the evidence showed a *prima facie* relationship in the opposite direction, i.e., that state education involved *adverse* external effects and aggravated or even helped to cause the prevailing trend towards increased criminal behavior. Certainly one could not object to the tentative conclusion that if any further official action were to take place it should first concentrate on a proper investigation of this question and that in the meantime there was to be a presumption against any further increases in the duration of compulsory schooling on this account.

It therefore comes as a surprise to find the Crowther Report concluding that there was nothing in the current state of affairs

> . . . to make any thoughtful person doubt the value of being at school; indeed, the delinquency may arise, not because boys are at school, but because they are not at school enough.[20]

As is well known in Great Britain, the Report argued for the raising of the compulsory school-leaving age. In doing so it referred to the *beneficial* external effects on society of presumed increased economic growth,[21] but at the same time it apparently refused to consider the possibility of any *adverse* external effects. Yet the Crowther policy of first raising the school-leaving age despite the evidence about delinquency and then trying to justify the measure after the event by offering hopes of future improvements in schooling seems to start at the wrong end. Indeed, such proposals seem to substitute dogma for reason and to betray the attitude that come what may the schools should not yield. In this attitude they probably reflect the limitations of state-sponsored committees which inevitably comprise many members and witnesses such as local education officers, state school headmasters, and the heads of teacher-training establishments who have a direct interest and belief in the expansion of state education itself. Such committees seem to welcome the rationality implicit in the "neighborhood effect" argument when it suits them, but are too ready to discard it the moment it becomes inconvenient.

The Crowther Committee contended that delinquency among older pupils probably arose because a boy had more time on his hands to get into mischief when at school compared with when he was at work. The Newsom Report[22] (on the education between the ages of thirteen and sixteen of pupils of average or below average ability) pointed out the difficulty of getting enough staff and resources to keep the boys occupied sufficiently. Accordingly this Report recommended that: "The school programme in the final year ought to be deliberately outgoing—an initiation into the adult world of work and leisure."[23] Again, undaunted by the evidence, the Report also recommended the raising of the school-leaving age. Once more the innocent observer must be allowed to question why, if the rate of delinquency declines when boys go out to work, should the commencement of this work be delayed still further *in favor of schemes for simulating work in school?* Why do we accept indiscriminately arguments about the need to protect young people from the "uncertain pressures of adult life" as long as possible and neglect the possibility that the pressures of school life may be in some cases the crucial ones? Such thoughts are not so revolutionary when it is remembered that, in these days, going out to work does not necessarily mean the end of formal education, since technical colleges and day-release schemes are now typically provided for the young worker's continued instruction. Those who show an overweening concern about the welfare of school-

[20] *Ibid.*

[21] This proposition is examined in West, *op. cit.*, chap. vii.

[22] *Half Our Future* (London: HMSO for the Ministry of Education, 1963).

[23] *Ibid.*, p. 79.

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leavers do not seem to have shown why their proposals for extra protection could not be implemented, for instance, by schemes for appointing special supervisors, which would have the additional merit of being far less expensive than schooling. This is not of course to argue that all expenditure on further schooling is wrong. Where it is appropriate, and this may apply to most people, it is to be welcomed; but to apply a measure to all on the grounds that it is suitable to some is to sacrifice prudence to mere legislative expediency.

The reduction of crime is only one of many kinds of social benefit which society is supposed to expect from education; but it has been selected here for first attention because of its prominence in traditional reasoning and because it is a good illustration of the facility with which unchallenged and unverified theories can become assimilated in the folklore of educational debate. In addition to the errors of fact which are involved in it, such thinking also suffers through a lack of conceptual clarity. What do we mean when we say that *education* reduces crime? Are we thinking of education in the wide sense or do we mean only formal schooling? If the former, what *kind* of education have we in mind? If the latter, do we mean only *state* schooling or do we include non-state schooling?

The "reduction of crime" is only one of the propositions which economists normally associate with "neighborhood effects." Space does not allow a review of all of them, so the remainder of this article will confine itself to one more example of unsupported assumptions in this field: the assumption that widespread literacy could not have been achieved or maintained today without the predominant role of government.[24]

MANY ECONOMISTS ARE anxious to remind us that without widespread literacy it would be difficult to maintain a market economy as well as a political democracy. What, then, is to be feared? Was the populace *not* making itself literate before the government stepped in?

To what extent does nineteenth century history indicate that the English people, for instance, were in need of governmental help on this account? The evidence shows indeed that the majority of people in the first half of the nineteenth century did become literate (in the technical sense) largely by their own efforts.[25] Moreover, if the government played any role at all in this sphere it was one of saboteur!

As long ago as the first few years of the nineteenth century it was a subject for government *complaint* that the ordinary people *had become literate;* for the government feared that too many people were developing the "wrong" uses of literacy by belonging to secret "corresponding societies" and by reading seditious pamphlets. In 1803, for example, Thomas Malthus echoed the government's fears by asserting the probability that: "The circulation of Paine's *Rights of Man* . . . has done great mischief among the lower and middle classes of this country."[26] Far from subsidizing literacy, the early nineteenth century English government placed severe taxes on paper in order to discourage the exercise of the public's reading and writing abilities. Yet despite this obstacle, by the time government came around to subsidizing on a tiny scale in the 1830's, between two-thirds and three-quarters of the people (according to one modern specialist[27]) were already literate. Even then the subsidies were financed from a taxation system which burdened the poor more than the rich.[28]

[24] Further detailed investigation of assumptions concerning other allegedly favorable spillover effects from education, for instance, upon economic growth, equality of opportunity, and social cohesion, will be found in West, *op. cit.*

[25] See West, *op. cit.*, chap. ix.

[26] T. R. Malthus, *Essay on Population* (London: Dutton Everyman, 1958), p. 190.

[27] R. K. Webb, "The Victorian Reading Public," in *From Dickens to Hardy* (London: Pelican Books, 1963).

[28] Moreover, the effects of the subsidies to schools were probably more than offset, in the early years at least, by the continuation of the "taxes on knowledge," i.e., the enormous taxes on paper, newspapers, and pamphlets which were not removed until the 1850's and 1860's. Here we have a good instance of the way in which government action itself (this time the way

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Those who argue that the system, not of government subsidy, but of government provision in the form of nationalized schools, was the key to the expansion of literacy have an even more difficult task. Using one of the generally accepted indexes of nineteenth century literacy, the figures showing the number of persons signing the marriage register with marks, it is argued that in 1870 when nationalized schools (called board schools) were introduced, 20 per cent of the men and 27 per cent of the women were signing their names with a mark. Much of the subsequent improvement in literacy, so the argument continues, must therefore be attributed to the 1870 legislation. One must observe, however, first that even if such figures are accepted they indicate that most people were already literate without the help of the nationalized schools. In other words, this evidence does not demonstrate the need for *universal* provision of these schools. Second, that judging by the growth rate in literacy prior to 1870 it is not clear that at least as good an improvement would not have occurred without the 1870 Act. Third, the men signing the marriage register in 1870, having an average age of 28 years, had on the average left school seventeen years before. If most people learn to read and write at school, an assumption which seems to be implied in this sort of reasoning, the 1870 marriage registers in England reflect the schooling of the early 1850's. A more appropriate figure to test the literacy rate of school leavers around 1870 is that of the 1891 Census. This shows that only 6.4 per cent of the men and 7.3 per cent of the women were signing the registers with a mark. These men must have left school on an average around 1874. They could therefore have barely benefitted from the new state schools since the building program had scarcely got underway at this time. Finally, there is no evidence that the state school system, which had become universal by the time of the Second World War, has been a complete success. Even by 1948 there were still in England and Wales 5 per cent of fourteen-year-old school-leavers officially classified as nearly or completely illiterate.

Here then we have the paradox of a public managing to educate itself into literary competence from personal motives and private resources, despite the obstacle of an institution called government which eventually begins to claim most of the credit for the educational success. The notion held by many people that had it not been for the state they or at least most of their neighbors would never have become educated is a striking monument to the belief of the Victorian legal theorist Dicey, that people's opinions and convictions eventually become conditioned by the legislated institutions they make themselves.

in which taxation was levied) can result in socially adverse spillovers or "neighborhood effects" (i.e., social costs). If it were seeking the *positive* neighborhood effects of education, it would have been more practical for the government first to have attended to the *negative* neighborhood effects for which *it* was responsible; that is, it should have abolished the "taxes on knowledge" before considering subsidizing the pursuit of it. To subsidize and tax the same activity is illogical and costly.

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COMMUNICATION:

South Africa Reconsidered

THOMAS MOLNAR

In our Vol. III, No. 4 issue, New Individualist Review *carried an article by Professor Denis Cowen, of the Law School of the University of Capetown, "Prospects for South Africa." Professor Cowen is a confirmed and outspoken opponent of the Nationalist Administration's policy of* apartheid. *A reply to Professor Molnar's communication will appear in a forthcoming issue of* New Individualist Review.

THE TONE OF WRITERS against South African apartheid policies is generally so vituperative that one must welcome Prof. Cowen's article in the Spring 1965 issue of *New Individualist Review* (Vol. III, No. 4) for its relative moderation. As one example of the usual "approach" to South African affairs in our press, I wish to mention only the document, published in March 1965 by the Carnegie Endowment for International Peace.

Under the title, *Apartheid and the UN: Collective Measures,* the Carnegie Endowment, supposedly devoted to peace on earth, recommends the most drastic aggression against South Africa, including naval blockade, combat operations by small naval, air, and land forces, and military occupation. The authors of the document go so far in their warlike enthusiasm as to set down in advance the probable casualty figures, dead, wounded, and prisoners: close to forty thousand, although they thoughtfully add that "a percentage of these personnel would be returned to duty." That they expect a war of no small scale and violence is indicated in their closing sentence: "The statistics are based on experience gained from World War II and Korea. These estimates will vary based upon intensity of combat, enemy capabilities, training of troops, etc. Consequently they should be used with caution."

I mention this monstrous instance of warmongering by an organization nominally devoted to peace in order to suggest the difficulty Prof. Cowen, mindful of world opinion, must have faced in writing his article—in a climate of clamoring demagoguery in which common sense is practically suppressed, or at least suspected. Yet Prof. Cowen himself seems to me to yield to ideological pressure and consequent unrealistic thinking in too many passages of his text. In what follows I wish to point out these passages.

Cowen shares his premises with the ideological liberals when he assumes that all South Africa must do is to comply with the demands of "world opinion" and the United Nations for peace to descend on that beautiful country and its population. His arguments are surprisingly naive, although he himself

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warns the reader against the views of liberals and do-gooders. Everything would turn out all right, he says, and the world would turn its attention elsewhere if a non-racial democracy were established in South Africa in the framework of a federal form of government in which the courts would enforce a bill of rights protecting the minority races.

This is, of course, not a new formula; indeed Mr. Cowen, under the disguise of impartiality, has taken out a leaf from the Progressive Party's program, backed in South Africa exclusively by starry-eyed liberals and misguided intellectuals. I would point out to Mr. Cowen, as I did to Mrs. Helen Suzman, sole parliamentary spokesman of the Progressive Party, that almost the totality of the South African electorate is violently opposed to this program, hence that it is simply not enforceable except by military action such as that outlined in the above-quoted document.

Furthermore, it should also be stated (and Mrs. Suzman, in private conversation, found no counter-argument) that in recent history very few bills of rights, or other legal guaranties, proved more than fragile paper barriers when the (racial, national, religious, etc.) majority wanted to have its own way. After all, what good did the Bill of Rights do for the American Negro in the last one hundred years, since Abraham Lincoln emancipated him and restored him to full citizenship? There is every reason to believe that if full parliamentary democracy is introduced in South Africa, with universal suffrage for all races, the majority, which is black, will in no time submerge the entire country. To everybody who tries to view the South African situation with some clarity of judgment it is evident that the white, Indian, Chinese, Griqua, and Coloured minorities would be swept away by a triumphant black majority and by the one-party State.

BEHIND PROF. COWEN'S faith in the "federal" or "democratic" solution (incidentally: democracy has not survived even the first years of independence anywhere in Africa), there is his equally unrealistic belief that the UN is, now or potentially, an impartial enforcement agency of human rights wherever they are threatened. It would be tedious to list the examples of UN failure to act (Budapest and Tibet come easily to mind), except when the two great powers which dominate it, the United States and the Soviet Union, decide to push it in the direction they occasionally favor together. But it is nothing less than scandalous to suggest that Africa, which has witnessed horrible UN atrocities in Katanga, amply documented by the International Red Cross, should again be the scene of "peace enforcement" by that organization. I know that among liberals in South Africa there is the same ideology-spawned faith in the moral superiority of the UN as among members of the Western intelligentsia; but the dream of a few utopian minds ought not to become the platform of a country's policies.

The fact is that the UN, and a number of other agencies and countries whom Mr. Cowen implicity trusts and quotes, are irrevocably hostile to South Africa because it is a bulwark of anti-Communism, hence of Western defenses in the South Atlantic and the Indian Ocean. (Taiwan cannot be accused of "racial discrimination," yet the same circles are hostile to it.) Displaying a strange naiveté, Mr. Cowen admits the fact of this hostility, even though he and I would disagree on its motives. He admits, namely, that even if South Africa were to comply with the UN claim, now debated before the World Court at The Hague, on South West Africa (which Pretoria has administered since 1920 under a League of Nations mandate), other issues would be found to attack it. He also quotes Kwame Nkrumah who lays claim, in the name of "Africa," to the South African mineral wealth. He also argues that since the American Negroes hold now "the balance of political power" in the United States (!), Pretoria had better change its racial policies before Washington, pressured by Negro groups at home, intervenes with pressures of its own.

Like an irresponsible Santa Claus, Mr. Cowen chooses to hold out some rewards for the South Africans in case they be-

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come good children and obey the UN's solicitous advice. If South Africa solves its race problem, Mr. Cowen writes, it will provide the world with a beautiful example of racial peace. More than that: Since the ratio of races (white to non-white) in the world is roughly the same as in South Africa, the example would become truly convincing! This is not exactly a scholarly argument, nor does it mention that racial strife exists between all races (in Africa: between blacks and Arabs, Indians and blacks), that it is not an invention of those devilish whites.

In this rather long, yet incomplete, comment on Mr. Cowen's text I did not wish to introduce a counter-analysis of apartheid and other related matters, domestic and foreign, in the light of which they must be viewed for the sake of intelligibility. I merely wanted to point out that behind Prof. Cowen's apparently objective and sweetly benevolent arguments one finds the same assumptions, based on the quicksand of illusions, which have so far created tragedy and bloodshed for African whites and blacks alike.

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REVIEW:

Alchian and Allen's "University Economics"

STANLEY G. LONG

University Economics by Armen A. Alchian and William R. Allen. Belmont, California: Wadsworth Publishing Co., 1964. 924 p. $8.95.

ABOUT A YEAR AGO while riding in a railroad club car I got into a conversation with several publisher's representatives, who were with one of the well known textbook firms. While talking about texts for the economics principles course, one of them was quite knowledgeable about frequently cited strengths and weaknesses of his company's products and also those of his competitors. (It is one of the duties of publishers' representatives, when calling at universities and colleges, to make lists of "strong points" and "weak points.")

Commenting one one of his firm's books, I said that it seemed sound, that I was contemplating adopting it, and that I supposed that that particular book was my second choice in the field (although I couldn't then decide what my *first* choice was).

"That's why it's the number two seller in the field; it's everyone's second choice," returned my friend triumphantly.

Our exchange suggests something about the textbook industry, or at least the section of that industry devoted to producing new principles-of-economics books. Location theory suggests that it is often in the interest of a second mobile hot dog seller just invading a beach to locate near an already existing one. Studies of product differentiation in, say, consumer-durable-producing oligopolies lead us to expect many quite similar brands each trying to capitalize on the success of competitors and being just different enough to give the advertising department some extra push buttons, or what-have-you, to write about. Similarly with our number-two textbook: Everything is there, and its (justifiable) claim for serious consideration rests on being able to persuade some potential customers that it covers each (or most) of the "essential areas" just a little better than any of its slightly differentiated substitutes. See for example any or all of the good texts by Samuelson, Bach, McConnell, Reynolds, Fels, Harris, Ferguson, and Kreps, to name most of the leading contenders in the field. Each has certain distinctions, such as being the first to incorporate the "Keynesian Cross" into an elementary text, being unusually encyclopedic with respect to topics covered, being unusually well written, etc. Yet the nature of the textbook market is such that each book tries to appeal to the largest possible audience, and in so doing often seems to imitate the others. The fact that the book selection process is often one of committee decision accentuates the tendency to include all possible topics.

UNIVERSITY ECONOMICS cannot be considered as simply another entrant into a crowded field trying simultaneously to be discreetly and marginally new and yet enough like "the others" so that potential customers (who are of course, from the

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standpoint of decision making, the professors, not the students) may continue to use last year's lecture notes and not be threatened by any really new approach or organization. *University Economics,* rather, offers a real alternative choice, and in the opinion of this reviewer, a good one indeed. The student who sustains his interest through this book in an introductory economics course will understand a great deal more about resource allocation than he could have obtained from the price theory sections of perhaps any other introductory text with which I am familiar. The probability of continuing interest is increased both by Alchian and Allen's prose style and by the use of some "gimmicks," especially a series of provocative questions at the end of each chapter. Unfortunately, our student who has sustained his interest through the book, while having acquired a firm grasp of pricing and allocation theory and of the process of economic reasoning, will not have learned much about macro-economic analysis, that is, the national-income-determination process from what seems to be an overly short and mechanical section on the simple income determination model. The presentation of a simple model to show equilibrium national income and a discussion of monetary and fiscal policy using such a model is more satisfactory elsewhere.[1] So, the strength of the text and its emphasis lie in its superior treatment of exchange, production, and distribution. To many of us the strength here will outweigh the cost of having to supplement the macro-economic sections, and I have no quarrel with the authors' decision to forego a separate section (presumably of equal "weight") on every possible policy "area." Let me make it clear that I do not consider the national income sections unusable; it is only the relative strength to which I refer. The implications for a second edition are evident, however.

A STRONG CASE CAN BE made for placing a rather greater emphasis on resource allocation than has been the vogue for at least the last decade. It has been convenient to separate national income determination from price analysis as if these two parts of economic reasoning had nothing to do with one another, and as if the principles of resource allocation were inapplicable in periods of less than full employment. However convenient, this is simply wrong. The reason for this simplifying assumption in the organization of our texts was, of course, that the macro-economic or national income analysis was something rather new, developing from the discussion started by Keynes' *General Theory* and finding its way into textbooks only after World War II. The experience of this intellectual revolution and the overwhelming impact of the Great Depression caused a generation of economists to direct most of their energies to this one single problem. Perhaps it was necessary to attack the then "conventional wisdom" in order to pave the way for a more orderly analysis of the goal of economic stability; but it needn't have been done at the cost of converting the analysis of prices (in many of the texts) to a bag of tricks. (Some of the writers on my list are more guilty of this than others.) Today, moreover, the idea that *particular policy proposals* are automatically contained in a particular theory, Keynes' or anyone else's, seems silly. Theories must be accepted or rejected on their own merits, according to established rules of evidence; and the policy proposals one advocates depend also on what *normative* goals one has chosen to support.

Once the ideological brush has been cleared, then, income analysis becomes an important tool for analyzing monetary and fiscal policies (or the lack of them); and the saving-equals-investment equilibrium is a simpler notion to understand than the supply-and-demand equilibrium (although it has fewer important uses than the latter). Thus, once we no longer have to knock down Classical straw men or be forced to defend any particular policy along *with* a body of analyses, I would claim that the essentials of macro-economics are needed to understand public discussion of policies about price stability, growth, full employment, etc.; but that having understood

[1] E.g., P. A. Samuelson, *Economics* (New York: McGraw Hill, 1964).

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the essentials, most important economic issues involve discussions of resource *allocation*, or broadly, price theory. George Stigler has claimed that for every time a citizen is called upon to hold a responsible opinion about economic policy when macro-economic theory can be used, he can use price theory ninety-nine times.

> Questions devoted primarily to maintaining employment are posed so infrequently, and are even then (as in the appropriation acts) so completely dominated by allocative questions that for practical purposes they are an infrequent and minor problem for the citizen. . . . Would intense concentration on the basic logic of price theory, applied to . . . real problems, give a vastly better and more lasting training than the current encyclopedic texts? Surely the answer is yes.[2]

I might be inclined to make the ratio 49 to 1, but I qualitatively agree. To put my position rather differently, I would claim that the problem of aggregate demand is a very important one (too much leads to inflation, not enough to depression, etc.), and that it is vital that the supply of money, tax schedules, and government expenditures be in a proper relationship to business and consumer expenditures so that we avoid disaster; but we *have* the knowledge to take care of this. (Here is not the place to demonstrate that Keynes was a conservative.) Given that we have this knowledge, beginning economics students should learn about it; but not to the exclusion of learning about the analysis of problems of resource allocation which have so much wider applicability.[3] It is in this presentation of the problems of exchange, production, and distribution that *University Economics* excels.

ALCHIAN AND ALLEN take greater care than usual to emphasize that economic analysis and value judgments should be identified and separated. That there should be occasional lapses from this ideal is perhaps inevitable. Even as one who considers himself a classical liberal, I was occasionally disturbed by implicit value judgments in the text, often in the form of omitted qualifications. Although they are mentioned later in the book in short sections, I would like to see more frequent and explicit reference to (i) the existence of externalities; (ii) the fact that the distribution of income depends on acceptance of a set of institutional arrangements about which a value consensus, or even one person's value judgment, is of a different order than a value consensus about, say, "economic efficiency." Aside from what I would call purely technical problems, e.g., economic stabilization and the provision of "pure public goods," those areas about which a classical liberal might question the ability of "open markets" to provide a "satisfactory" answer usually concern situations involving externalities or situations of "unsatisfactory" distribution of income.

An understanding of the working of markets, however, is perhaps our best safeguard against misguided idealists and special interest pleaders being able to alter the economic solution by trying (or claiming to try) to obtain one result (with respect to externalities or income distribution) but achieving another.

At this point, however, I am grinding one of my own axes about which I happen to feel rather strongly. I am often upset by the neglect of these two issues, externalities and income distribution, when policy proposals are being advanced which are designed to further classical liberal goals. However, Alchian and Allen's analysis must be judged as just that, analysis, regardless of their implicit policy position, which it would seem *is* classical liberal. As analysis it comes very well indeed. Here is a new introductory economics text that rescues price theory from the status of a mechanical puzzle which some treatments have given it, and while I have dealt with it primarily as an undergraduate text, the first thirty chapters could well be recommended as introductory or review reading for the interested layman.

[2] "Elementary Economic Education," in *The Intellectual and the Market Place* (New York: The Free Press of Glencoe, 1963), pp. 82-84.

[3] See P. A. Samuelson, *op. cit.*, 4th and later editions, on the "Neoclassical Synthesis": Once problems of aggregate demand are attended to, allocation becomes more important.

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NEW BOOKS AND ARTICLES

THE FOLLOWING IS A SELECT LIST OF BOOKS AND ARTICLES WHICH, IN THE OPINION OF THE EDITORS, MAY BE OF INTEREST TO OUR READERS.

Two books have appeared recently compiling some of the essays and letters of Randolph Bourne: *The World of Randolph Bourne,* edited with an introduction by Lillian Schlissel. New York: Dutton, 1965. $2.25, paper. And: *War and the Intellectuals,* edited with an introduction by Carl Resek. New York: Harper Torchbooks, 1964. $1.95, paper. Bourne is of interest as one of the very few radical American intellectuals of the early 1900's who was not swept along in the euphoria of "Mr. Wilson's War." In many often brilliant passages Bourne is able to capture and express the same anarchistic sentiments felt by many of today's "conservatives."

Frank S. Meyer, ed., *The African Nettle.* New York: John Day, 1965. $5.00. A symposium on the current situation and the prospects for Africa, including articles by P. T. Bauer on African economic policy; W. H. Hutt on the collectivistic policies used to keep living standards for the blacks depressed in South Africa; Sir Roy Welensky; Elspeth Huxley; and others.

The essays of Mihajlo Mihajlov, the young Yugoslavian intellectual, which recently led to his being sentenced to a nine-month prison term (later commuted to five months on probation and suspended sentence) have been issued by Farrar, Strauss and Giroux. *Moscow Summer* (New York: 1965, $3.50) were held to violate the Yugoslavian law against "damaging the reputation of a foreign state" (the Soviet Union). Specifically in question was Mihajlov's discussion of the Russian concentration camps, e.g.: "The first 'death camps' were not really established by the Germans, since they were founded by the Soviets. In 1921 [under Lenin and Trotsky], in the vicinity of Archangel, the first death camp, known as Homogor, was formed with the sole purpose of physically exterminating the prisoners. . . ." Another indication of Mihajlov's transgression of the acceptable limits of debate in Yugoslavia as set by the Tito regime is a letter from Mihajlov, quoted in an interesting article in the June 1965 issue of *Encounter* ("Letter from Belgrade," by Anatole Shub), in which he maintains that in the U.S.S.R. "serfdom still obtains, because the agricultural workers are administratively bound to the *kolkhoz.*"

E. G. West, *Education and the State.* London: Institute of Economic Affairs, 1965. 40 shillings. From the review in *The Times Educational Supplement* (London), November 12, 1965: "Dr. E. G. West, an economics lecturer in Newcastle University, has produced a remarkably able and lively critique of the system and principles under which education is provided by the state. He denies that the majority of working-class parents are not to be trusted. By going back to the days before the 1870 Act, when education was neither free nor compulsory, he attempts to show that the great majority of working-class parents were prepared to spend money on it. . . . If working-class parents were prepared to back the choice they then possessed with money, why should they be presumed unfit to choose today when they are so much richer?" In another review, Giles St. Aubyn writes: "If myths were as self-evident as truths are supposed to be, they would collapse of their own accord; but endowed opinions tenaciously resist destruction regardless of the errors they contain. Dr. West's book none the less is calculated to reduce even the strongest fortifications to rubble. *Education*

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and the State is perhaps the most important work written on the subject this century." [*The Sunday Times* (London), November 21, 1965.] Copies may be ordered directly from the IEA, Eaton House, 66A Eaton Square, London S.W.1, England.

Martin Anderson, "Urban Renewal: The Claims and the Facts," *Harvard Business Review,* XLIII (Jan.-Feb. 1965), 6-20ff. Prof. Anderson of Columbia University is the author of *The Federal Bulldozer* (Cambridge, Mass.: MIT Press, 1964), a large-scale study of the urban renewal program. Anderson's scientific investigations have led him to the conclusion that the arguments in favor of governmental urban renewal programs are largely mythical, and that the interest of the public at large — as distinguished from that of certain special interest groups — would be better promoted by abolishing the programs. His findings are summarized in this article, which is available from the American Conservative Union in pamphlet form without charge. Write: ACU, Suite 1101, 1010 Vermont Ave., N.W., Washington, D.C. 20005.

Prof. Colin D. Campbell of Dartmouth College and his wife have written an article entitled "You'll Never Get Back All Those Old-Age 'Contributions' " in the *Washington Post,* November 7, 1965, Section E. Campbell points out on the basis of calculations made in the article from typical Social Security payments, benefits, and life expectancy, that the average worker would be much better off if the system did not exist: "Even from a private insurance company, the cost of a $3024 annuity at age 65 is about $45,000, $9000 less than the accumulated amount of a worker's tax payments." He further points out that at 4 per cent interest, the typical worker could provide out of savings as much as the Social Security program provides, and still have an accumulated $38,000 to pass on to his heirs. Campbell discusses in brief the inequities in the present system as regards women, bachelors, the poor, and those workers over sixty-five who choose to continue to work. "The Social Security system started out as a program to help wage earners provide themselves with a minimum income in their old age. It has evolved into a combined insurance, welfare, and giveaway program with inequities that are difficult to justify."

John Gregory Dunne, who writes an occasional column on TV and radio for *The New Republic,* had a provocative article in the November 6, 1965, issue of that magazine ("Whose Dissent Do You Hear?"). His main thesis: "I think it can be argued that the three major networks are indirectly responsible for the proliferation of paranoid [Right-wing] broadcasters. The reason is that there is nothing on the air today remotely passing for responsible dissent. The news departments of all three networks are in the hands of an Establishment consensus, bounded on one side by Eric Sevareid, on the other by Howard K. Smith." The frequency with which William Buckley graces the airwaves does not invalidate this description because, "As Proust was the pet Jew of the anti-Semites, so Buckley is the pet Conservative of the Establishment." Dunne argues for more conservatives on radio and television, which would have the effect of inducing Americans to consider "whether opposition to Medicare can be dismissed simply as hostility to old people, or support of the bracero program only as an excuse to exploit Mexican wetback labor."

Michael E. Levine, "Is Regulation Necessary? California Air Transportation and National Regulatory Policy," *The Yale Law Journal,* LXXIV (July 1965), 1416-47. In this detailed study of the operation of free market forces in Los Angeles-San Francisco air transportation, Mr. Levine concludes: "The CAB should draw a lesson for national regulation from the Los Angeles-San Francisco

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market and amend the present regulatory scheme so that all markets are freed from restrictive economic regulation. . . . [The] air space is public property, restrictions on the use of which were initially imposed in response to fears of economic evils. Since examination of the Los Angeles-San Francisco market shows that these fears are unjustified, there is no reason why we need continue to deny the opportunity to serve the public to those prepared to risk capital to do so. It is neither wise political nor economic policy to mark out an area of activity as the preserve of a few corporations who have the good fortune to have been operating on May 14, 1938."

Wesley McCune, director of Group Research, Inc., was for some reason or other asked to address the meeting of the Intellectual Freedom Committee of the American Library Association in Washington early this past year (his speech is reprinted in the June 1965 issue of the *American Library Association Bulletin*). His talk naturally concerned the threat from the Radical Right, and served to "alert" librarians to the "flood" of Radical Right propaganda they may expect to receive soon (what librarians *do* with such materials is primly left to their own civilized consciences). Typical of McCune's technique, and indicative of why he so annoys conservatives and classical liberals, is the following: After discussing the activities of the old stand-bys — like Gerald L. K. Smith and Billy James Hargis — McCune warns librarians of one of the newer threats: ". . . a group . . . headquartered at Wabash College and called the Principles of Freedom. . . . The key man in this planned operation is Dean Benjamin Rogge, . . ." whom McCune further identifies through Rogge's curious and suggestive connections with the Foundation for Economic Education and the Intercollegiate Society of Individualists. *New Individualist Review* recommends the speech especially to (a) modern-liberals who wish to avoid having to rebut the arguments for consistent capitalism; and (b) conservatives who would like to see a McCarthy-*redivivus* in action.

Herbert Spencer, "The New Liberalism," *The Freeman,* November 1965. This reprinting of excerpts from Spencer's "The New Toryism" and "From Freedom to Bondage" represents a welcome effort to bring to the general public today some of the classic arguments for liberty as set down by one of the best minds of the last century. These essays were directed to those of Spencer's contemporaries who, he thought, were forgetting the basic principle of liberalism: "to diminish the range of governmental authority and to increase the area within which each citizen may act unchecked." This article is a good introduction to Spencer's political thought, and is available on request from: The Foundation for Economic Education, Irvington-on-Hudson, New York 10533.

Kenneth Vinson, "Prohibition's Last Stand," *The New Republic,* October 16, 1965. A professor of law at the University of Mississippi reports on that state's curious official attitude on hard liquor: while it is prohibited by law throughout the state, there also exists a state excise tax on it. The situation lends itself easily to the arbitrary use of the police power, which has been employed, according to Prof. Vinson, particularly against civil rights workers and others out of step with the officially sanctioned *mores* regulating race relations in that state.

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